

# **Building the Future: Towards a New Zealand Housing Strategy**

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A Discussion Document

# Minister's foreword

Everyone needs a home. Whether we're in a student flat, city apartment, provincial town or rural area, or are older and moving into a smaller unit after a life in the family home, we all need somewhere to live that is good quality, affordable and secure.

In my lifetime, how and where we live has changed. The traditional two-parent nuclear family has been joined by many different households and our homes have changed to reflect this.

Our country is more diverse. Families are extended, and singles and those without children are staying that way longer. The baby-boom generation is getting older, but maintains its lifestyle aspirations, and migration has increased our range of different cultures. Future housing demand will increasingly match our changing society – predominantly an older New Zealand European population, along with much younger Māori and Pacific populations and broader ethnic diversity.

Here in New Zealand we have a widespread belief that a decent house is something we are all entitled to – not only because it may lead to better health and education, but because it defines the sort of society we want for ourselves and our children.

Over recent times there have been various pressure points in housing - rising rents, concerns about housing quality, a housing boom, and lengthening state house waiting lists. The government has responded positively in a number of ways to these challenges. Most people can sort out their own housing, but for those that can't, especially those on low incomes, we've made significant changes.

State house numbers are increasing and most state tenants pay income-related rents. We're getting tougher on building standards, programmes to fix up older state houses are underway and we're addressing the poor housing of people in some rural areas. We've introduced a new scheme to help those on low to moderate incomes into home ownership and we've got an innovative new funding programme underway to increase the availability of social housing. This government has changed the direction of housing policy. It knows it has a role to play and has picked up that responsibility.

Alongside all we've done to date, we also need to reflect on how New Zealanders want to be housed into the future. What standard of housing should we aspire to and what kind of housing will suit future New Zealanders? How will we achieve that? There are many questions and issues to work through.



That is why we are developing a New Zealand Housing Strategy. Housing is a key component of social policy and plays a major role in creating healthy, strong and cohesive communities. Housing contributes to our individual and national economic wealth. For most people their home is their key asset and paying off their mortgage their main way of saving. For many people rental property is an important business investment and an important component of saving for retirement. It provides an enormous range of employment and training opportunities, let alone being an abiding interest of a 'do-it-yourself' society.

In developing this discussion document we have worked with many key players in the housing sector. In particular, I acknowledge with gratitude the work of the eleven working parties on selected topics that reported to the previous Minister of Housing. Their contribution has been invaluable. Improvements will only come through working together - in partnership with local government and the business sector, with Māori, with Pacific people and other ethnic communities, social and community services and all others in the housing sector.

Now it is time to test the ideas and direction we wish to take. I encourage you to share your views on the proposals put forward here, not only with us, but also with others.

By working together we can make the vision of good quality, affordable housing for all New Zealanders become a reality.

A handwritten signature in black ink that reads "Steve Maharey". The signature is fluid and cursive, with a long horizontal stroke at the end.

**Steve Maharey**  
Minister of Housing

# Contents

Introduction	
Making a submission	
Housing in New Zealand: where are we now?	7
Housing and social and economic well-being	13
A proposed framework for the New Zealand Housing Strategy	19
Area One: Improving housing assistance and affordability	21
Area Two: Responding to housing markets under stress	28
Area Three: Innovative home ownership programmes	37
Area Four: Developing the private rental sector	42
Area Five: Improving housing quality	46
Area Six: Building capacity and capability across the housing sector	52
Meeting diverse housing needs	60
Older people's housing	61
Women's housing issues	64
Disabled people's housing needs	66
Children, young people and housing	69
Housing needs of Māori communities	72
Pacific people's housing	75
Other ethnic minority communities and housing	77
Measuring progress	79
Glossary	80
Bibliography	81
Endnotes	84

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# Introduction

Access to adequate shelter is often characterised as a fundamental human right. It features as such in the United Nations Covenant on Economic, Social and Cultural Rights which New Zealand ratified in 1978. The home is the centre of family life, recreation and increasingly, work. For many New Zealanders their home will also be their most significant financial investment.

In recent years, the cost of owning or renting has increased relative to how much people earn. Those on low incomes have been particularly hard hit. Since the mid-1990s, house prices and rents have generally increased at a greater rate than average earnings and benefit rates.

Housing costs are often the largest part of many people's spending. How much has to be spent on the rent or mortgage then impacts on how much is left over for food, clothing, transport, educational or medical costs. For those who own their home, there are the added costs of maintaining it. For the increasing numbers who rent, there may be anxieties created by insecure tenure. In some areas there are overcrowded or substandard homes with their added health risks.

The New Zealand Housing Strategy, development of which is being led by Housing New Zealand Corporation, will provide an overall direction for housing for the next 10 years. The purpose of this discussion document is to gain public and stakeholder views on issues that will be addressed in the final strategy. It summarises the key housing issues facing New Zealand today and outlines a proposed plan of action to improve housing, as well as including analysis of the influences on housing markets and policy.

This discussion document is the result of research, debate, planning and consultation with a wide range of organisations, individuals and groups with an interest in housing. Their contribution has made the discussion document more reflective of the aspirations of all New Zealanders.

Work on the strategy began in late 2001, after the need had been identified for a more strategic approach to government policies and objectives in relation to housing. Preliminary work involving a wide-ranging number of primarily social interest groups led to a number of recommendations, the key aspects of which are reported here and interwoven into the strategic approach, along with the views of other housing interests.

Enclosed with this document is information on how to make a submission. You can choose to answer the questions posed or respond in your own format. Whichever approach you choose, your views on the proposed direction of housing in New Zealand are encouraged and welcomed.



**Helen Fulcher**  
Chief Executive



# Making a submission

We welcome your views on the discussion document *Building the Future: Towards a New Zealand Housing Strategy* and the proposals it contains. We encourage you to make a submission so a wide range of perspectives can be considered as we finalise the strategy.

To help with your submission we have developed a series of questions relevant to the issues outlined in the discussion document. You can choose to answer these questions or respond in your own format. All submissions will be analysed, individually and collectively, for their content as well as the weighting and frequency of issues raised. This will help us determine the level of concern about each issue across the range of submissions.

Your submission will be available to the public. If you do not want your submission to be available to the public (for example, it contains commercially sensitive information), you should indicate this. Any request for your submission will be considered under the provisions of the Official Information Act 1982.

All submissions must be in writing and should include the following information if applicable:

**Name**

**Address**

**Telephone**

**Email address**

If you are representing an organisation or group, please give the name and contact details of that organisation or group, and the position you hold. Please send submissions, to be received by 5pm 30 July 2004, to:

**New Zealand Housing Strategy**

**Freepost 184559**

**PO Box 3802**

**Shortland St**

**Auckland**

The discussion document, submission form and instructions on making an electronic submission, are available from [www.hnzc.co.nz/nzhousingstrat/index.htm](http://www.hnzc.co.nz/nzhousingstrat/index.htm). Additional hard copies can be obtained by phoning Housing New Zealand Corporation on **0800 367 6947** (0800 FOR NZHS).

# Housing in New Zealand: where are we now?

New Zealand's past has shaped its housing landscape. Political and social events such as Polynesian and colonial settlement, the New Zealand wars, the Great Depression, the world wars, the subsequent baby boom, and the urban drift and migratory influxes of the 1960s have all influenced housing policies. Government housing initiatives of the past 150 years have included village settlement schemes, land grants to veterans, the provision of pensioner and workers' housing, the promotion of home ownership through subsidised mortgage finance and deposit assistance and widespread construction of state rental housing.

The economic and social changes of the 1980s and 1990s introduced significant changes to housing policy. They signalled the end of the Family Benefit Capitalisation Scheme and subsidised interest rates, which had contributed to the rapid growth of home ownership throughout the previous three decades. They also led to the freeing up of financial markets, making capital more accessible; the removal of subsidies to local government for pensioner housing; the introduction of market rents for state housing tenants, alongside a widespread sales programme; and the introduction of the Accommodation Supplement as the primary form of government housing assistance. In addition, in 1986 the Residential Tenancies Act was passed, clearly setting out the rights and obligations of landlords and tenants and providing advice and dispute resolution services to both parties.

Since 1999 the government has increasingly focused on housing and housing policy to improve peoples' social and economic circumstances. Considerable investment has been made over the past four years in social housing provision. This has involved reintroducing income related rents for state housing tenants and supporting significant growth in the volume of state housing stock.

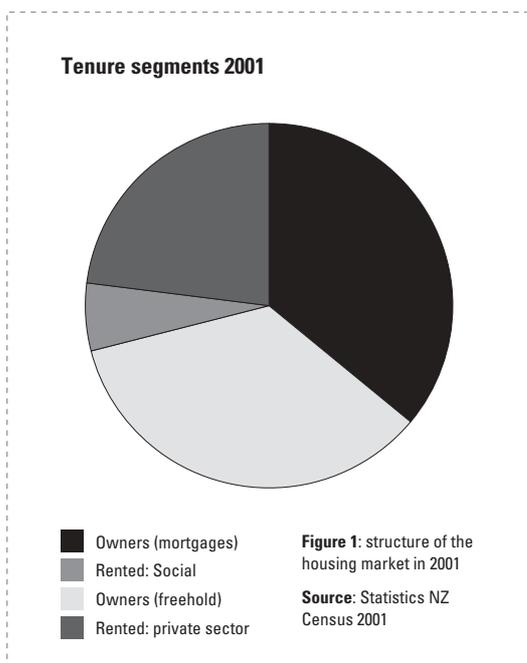
Other programmes that have been initiated include: efforts to improve housing quality through the review of the Building Act 1991; the rural housing and healthy housing programmes; investment in the growth of alternative social housing provision by local government and community groups; rebuilding housing research capacity; and initiating a pilot mortgage insurance programme to support access to home ownership for low-income families.

This commitment to housing as an instrument of social and economic policy is a key driver leading to the development of “Building the Future: Towards a New Zealand Housing Strategy, A Discussion Document” – a plan that will shape the activities of the government in relation to housing over the next 5-10 years.

## The current housing environment

New Zealand’s housing stock is different from that in most other OECD countries in its mix of tenures (ownership, private rental, social rental) and the nature of its construction.

At 68% the home ownership rate is high by international standards<sup>1</sup>, although it has dropped from a peak of 74% a decade ago. Unlike many countries, the private rental sector is substantial at 26% of the housing market. This is supported by a favourable investment environment and a mobile population. In contrast, New Zealand has a comparatively low level of social housing provision (6%) compared to many European countries where social housing makes up 25-40% of the market.



New Zealand’s housing sector comprises a range of market segments. These can be defined by price range, tenure, house type (for example, detached dwellings or apartments) and geographical sub-markets. The current tenure structure is dominated by home ownership, complemented largely by the private rental sector. Figure 1 illustrates the comparatively small size of the social housing sector.

New Zealand’s housing stock cannot be easily compared with that of other countries. Isolation, a colonial/settler past, a temperate climate and the initial wealth of high-quality timber led to housing

largely consisting of timber framed and clad, stand-alone dwellings. Much of the older urban housing was built to meet the immediate needs of workers in the early years of colonial settlement, while the typical suburban home of the 1940s to 1970s was designed to meet the needs of nuclear families consisting of a husband, wife and two or three children.

In recent years a wider range of construction techniques and materials has been adopted, some more successful and durable than others. A more diverse range of housing types has also emerged, especially with the rise of apartment and medium

density developments in our larger cities. Most of our housing requires frequent maintenance to prevent significant deterioration and its longevity has not really been tested, compared with housing elsewhere that has been in continuous use for several hundred years.

Comparisons between New Zealand and other countries are of limited value given the diverse nature and histories of different societies. But it should not be assumed that the current mix of tenures and stock in New Zealand is necessarily ideal or unable to be influenced. Instead it is important to ensure that housing policy and housing markets deliver the best outcomes possible and reflect the reasonable aspirations and expectations of New Zealanders.

Housing and housing markets have been the focus of much attention over the past two years, as dramatic shifts in population and prices in some areas have led to very active property markets. Many are questioning the sustainability of that growth, and the inherent risks of increasingly high levels of household debt. There are also concerns about the declining ability of younger and lower income households to enter home ownership. These changes in affordability, tenure distribution, and demographics have had a significant effect on many people's housing situations.

## Shifts in demand

Over the past 25 years, delayed child bearing, the increase in divorce, remarriage and merging of family groups, and an ageing population have contributed to a greater diversity of family types and living arrangements. The trends towards changing lifestyle preferences and needs, growing household diversity and labour market flexibility are likely to continue. Increased demand in the housing sector is also being driven by strong workforce participation, low interest rates, and ample bank lending to investors and home buyers.

Demand for housing is also influenced by trends in family and household formation within a given population. Over the next decade the number of households is expected to increase by 12%, although the size of individual households is projected to fall. The key characteristics of current and projected future household formation and aggregate household demand are:

- New Zealand European/Pakeha households becoming older and smaller than previously



- Growing numbers of younger, larger Māori and Pacific households
- A growing diversity of household types.

From 1992 to 2003, annual increases in the total population varied between 21,000 and 69,000. Net migration was largely responsible for this fluctuation, removing over 10,000 people in the year of peak net outflow (1999) and adding nearly 42,000 in the year of peak net inflow (2003). This change reflects lower numbers of young people moving overseas, overseas students coming to New Zealand, New Zealanders returning to live permanently, and new immigrants. Net migration is expected to ease back to approximately 20,000 over the next two or three years. At this level there will still be pressure on the underlying demand for housing.

## Housing supply

The ability of housing markets to increase supply in response to demand is constrained by the time taken to free up land and construct new houses. Building consents for all new residential units increased by 25% for the year ending August 2003 with new dwelling consents reaching approximately 29,500 over the past year, compared to an historical average of around 20,000 per annum.

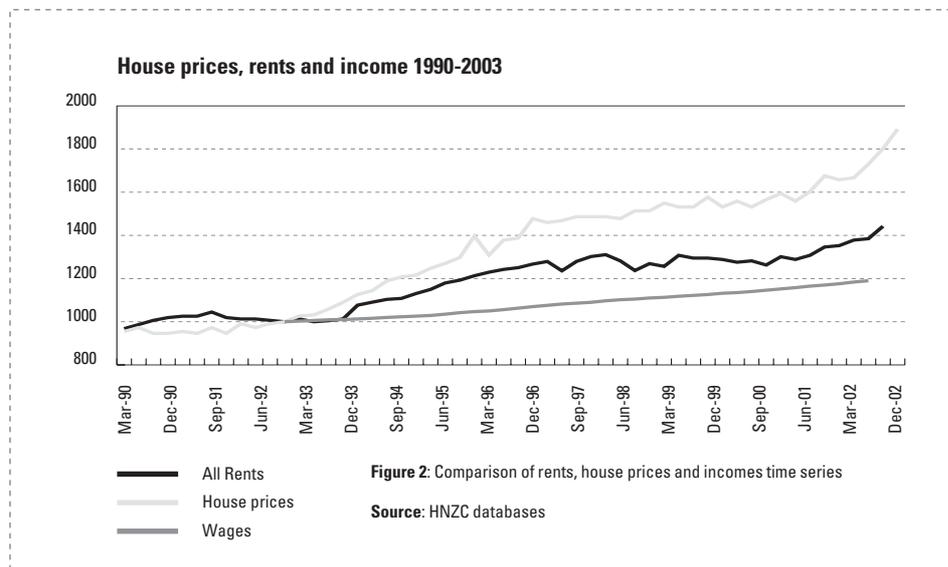
Yet there is an insufficient supply of affordable housing in some areas, especially Auckland where the greatest growth in households is projected. Migration numbers tend to be heavily concentrated in Auckland, which is also the area of strongest natural growth because of the younger age profile of its Pacific and Māori populations. At the end of September 2003, 58% of households on Housing New Zealand's waiting list were in Auckland.

Supply issues impact differently on market segments. For example the demand for and supply of quality, affordable, long term rental housing is not currently well matched. The high demand for social rental housing would impose unrealistic costs on the government if it was to continue to increase supply to meet all demand. Given the increasing importance of the private rental sector as a form of tenure, barriers to an adequate supply of good quality, affordable rental housing need to be identified and resolved.

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## Changes in housing affordability

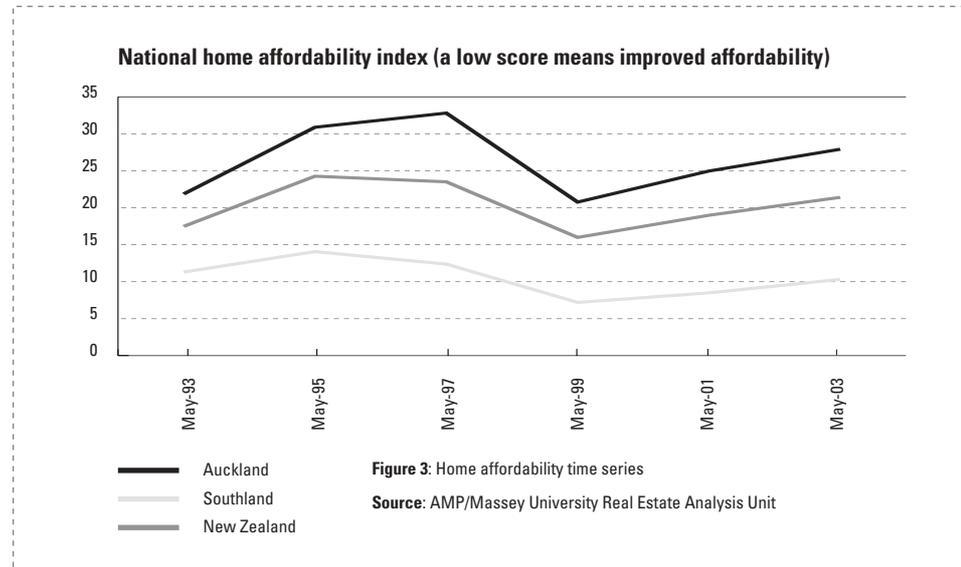
While rents have increased more slowly than house prices, both rent and house prices have grown faster than income since 1993 (Figure 2). In the year ending August 2003, house prices in New Zealand increased by 16%<sup>2</sup> and rents increased by about 8%.



The AMP Affordability Index (Figure 3) looks at the change in the cost of home ownership for an average family over time. It is derived from average weekly earnings, the median dwelling price and the prevailing mortgage interest rate. Figure 3 shows that the national affordability of home ownership decreased marginally between May 1993 and May 2003. There was a significant improvement in affordability between 1997 and 1999 when interest rates fell, but this has been followed by declining affordability as prices have risen over the past four years.

**While rents have increased more slowly than house prices, both rent and house prices have been increasing at a faster rate than income since 1993**

These trends do not, however, illustrate the affordability problems affecting people at the lowest income levels. It is apparent that the ability of first home buyers to enter the market is becoming increasingly constrained, particularly in the main urban centres. Although difficult to confirm the cause without further research, this is probably a result of higher house and land prices compared with wages, and the increasingly higher deposit and debt levels needed to buy a home.



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Other causes recently identified in an Australian study of first home ownership include: the delays and costs of land development; infrastructure and planning processes; and the attractiveness of residential property as an investment, supported by easily available and comparatively low cost finance and the promise of high capital gains. In 2003 a major lender reported that despite very favourable interest rates, only 4% of borrowers are first home buyers. In the past two years, the proportion of first home buyers who are under 30 in New Zealand has fallen from 48% to 39%.



What should New Zealand do to plan for future housing need?

# Housing and social and economic well-being

Housing is a key area where government can influence social and economic well-being. There is increasing recognition of the role housing plays in delivering good health, educational and economic outcomes, especially for children and young people.

## Housing and social policy

Having secure and affordable housing improves the ability of households in greatest need to provide a stable environment for their children, with consequent improvements in health, employment and educational outcomes. For example, the reintroduction of income-related rents has had a significant impact on the social and economic well-being of state tenants. Tenant turnover in state rental properties has decreased in most areas of the country, from an average of 33% in September 2000 to 15% in September 2003. Some areas have seen even more dramatic changes, especially some parts of Auckland, where turnover rates dropped by up to 70%.

By itself, housing policy cannot guarantee desirable housing outcomes. Monetary policy, labour market policy, taxation policy, social assistance and immigration policy have the potential to exercise as much, and sometimes more, influence on housing. The government is promoting inter-departmental collaboration in policy development to ensure that policies complement and reinforce each other across sectors.

Housing inequality is a significant contributor to social and economic inequality within New Zealand. While a level of difference is to be expected (given the different earning power, responsibilities and choices of households), there are housing outcomes that the government believes are not acceptable.

Poor quality housing is unacceptable, whether it is a result of lack of weather-tightness or entrenched rural poverty. Excessive housing costs are unacceptable, whether the result of localised property booms that put adequate housing out of the reach of middle-income families, or inadequate income that leads to over-crowding and ill-health.

**There will be growth  
in medium density  
housing as cities  
respond to pressure on  
available land**

The decline in home ownership across all income groups has not only led to a rise in the number of renting households, but also of residential property investors. Determining the best way to respond to this change is a key social policy issue for the government. As house prices and rents have risen, demand for social housing has also grown. Responding to this is a high priority, and involves developing a wider range of suppliers of social housing.

Future housing will evolve to meet the changing needs of New Zealand's population. Over the next 10 years the housing landscape will change considerably. There will be: growth in medium density housing, as cities respond to pressure on available land; a change in the mix of housing tenures if home ownership continues to decline; and more people renting their homes for longer periods.

Housing policy and programmes need to become more integrated with other areas of activity, such as environmental, health, transport and economic development policy, and will also need to involve more partnerships and increased collaboration across sectors.

## Housing and the economy

Housing makes an important contribution to the economy. For the year ended March 2003, capital expenditure on housing by all sectors was \$7.4 billion. Household expenditure on housing was around \$14.6 billion, or nearly 20% of Total Household Consumption. Total housing activity accounts for about 17% of Gross Domestic Product.

Housing also provides employment for increasing numbers of New Zealanders from a wide range of trades and professions. The construction industry employed some 93,100 people in June 2003, an increase of 20,000 since 2001, while advertised vacancies in housing related professions (e.g. architects, valuers, property managers) increased by 41% in the six months from June to November 2003.

As well as giving us a roof over our head, many of us also consider owning a house to be an investment and a form of saving, often for retirement. Buying a house is the biggest single expenditure that many families will make, and its maintenance involves ongoing care and cost. The proportion of household assets held in housing has grown over the past two decades. Some commentators have expressed the view that New Zealanders over-invest in housing at the expense of investing in other sectors.

About 90% of New Zealand households are housed without direct assistance from the government, either as home owners or tenants renting privately. Housing markets need to provide a range of housing in terms of affordability and configuration in any

given location. If the market fails to provide this it can become difficult for a given area to attract the mix of labour needed in today's economy. The government has a role to play when markets fail to provide: access to decent, affordable housing for low-income New Zealanders; adequate information or protection to people participating in them; or acceptable social, economic or environmental outcomes.

## The role of the government in housing

The government generally has two direct roles in housing. The first is to regulate the housing market and housing quality. The second is to provide housing assistance to lower-income households that have difficulty accessing affordable and suitable housing. The government intervenes in housing markets by:

- Defining, and enforcing if necessary, the general institutional, financial, regulatory and contractual frameworks for housing markets
- Influencing the allocation of capital (for example, through the tax treatment of housing and the impact of its expenditure and financing decisions)
- Monitoring regulations to protect consumers from unsafe or unhealthy housing, or from reckless or unscrupulous operators (for example, the Residential Tenancies Act 1986, the Building Act 1991, the Health Act 1956)
- Providing a regulatory framework for planning and infrastructure that protects the integrity of the environment and communities.

Governments often provide targeted housing assistance to ensure access to affordable housing for those who are least well-off. Most countries judge housing to be unaffordable if its cost exceeds 25% to 30% of the net income of low-income households. The great majority of such housing assistance in New Zealand is currently provided as state rental housing or an income supplement (the Accommodation Supplement) to low-income tenants, boarders and homeowners. In recent years, however, the government has expanded its range of housing assistance and is now running a home ownership programme, funding local government and other social housing providers and actively exploring the potential of other interventions to deliver good housing.

A key priority of the New Zealand Housing Strategy will be to assess the effectiveness of the current mix of housing interventions. A recent Australian study found that housing assistance programmes are most effective when they are designed to meet the specific needs of targeted groups and markets. Policies that deliver good housing for low-income households will not necessarily be applicable or effective for essential workers living in high cost housing areas. For example, direct supply of social housing was found to be the most cost-effective response to extreme housing stress, whereas

**A key priority of the New Zealand Housing Strategy will be to assess the effectiveness of the current mix of housing interventions**

home ownership assistance was shown to be unlikely to relieve housing stress, but to be effective in promoting asset accumulation in modest to middle-income households.

Apart from regulation, direct housing assistance generally falls into two categories: supply-side assistance (aimed at increasing the supply of affordable housing) and demand-side assistance (delivered to those requiring housing).

## Increasing the supply of affordable housing

The most obvious example of supply-side assistance is state rental housing where the government leases or owns housing stock, and subsidises Housing New Zealand Corporation (the landlord) directly, so that the costs of housing remain affordable to tenants. Through Housing New Zealand Corporation, the government rents over 64,000 houses to families in need and community groups that provide housing for special need groups. Eighty-nine percent of households in state housing pay a

subsidised income-related rent at an overall cost to the government of \$330 million a year. Most local authorities also provide social housing, with over 14,000 local government units currently being rented at below market level rents, mostly to older people.

Other typical supply-side programmes include: directly funding affordable housing providers; and providing incentives (or disincentives) through the tax, planning or regulatory systems to developers of affordable housing.

Supply-side programmes tended to be less favoured in the 1980s and 1990s due to their higher short-term cost (on average, it costs \$163,000 to buy a new state house) and the focus of the time on market responses. Supply-side programmes have difficulty in responding quickly to changing demand, whether it is for housing in a particular place, or a specific type of housing e.g. smaller housing for single people.

On the positive side, supply-side programmes can address issues of security of tenure and discrimination that affect some groups in the private market. They also provide employment and economic development opportunities. While expenditure on supply-side assistance is high in the short-term, it contributes to building enduring public or community assets and may be more cost effective in the long run.



## Assistance on the demand side

Demand-side assistance involves giving direct assistance to households with a housing need, usually through some kind of income supplement or voucher. In New Zealand the Accommodation Supplement is the largest demand-side programme. In 2002/03 it assisted over 252,000 recipients at a cost to the government of \$740 million.

Demand-side programmes assume that housing markets, especially private rental markets, will generally provide suitable housing in response to the needs of householders. They are seen as promoting consumer choice and self-reliance and are usually viewed as more efficient. They cost less in the short term to provide affordable housing to low-income households; and they are more flexible, more portable and able to be delivered at very short notice to households in need. The average cost in New Zealand is \$2,800<sup>3</sup> per recipient each year, compared with \$5,700 per household for an average income-related rent subsidy.

For many households, demand-side assistance supports their choice of affordable rental housing, or sustains their ability to meet mortgage payments when they are on low incomes. For others, their circumstances are such that they cannot access or sustain affordable housing, even with the maximum amount of supplement for their household type or location. The consequences are housing stress, overcrowding, poor child health and transience.

**A variety of responses is needed to meet the range of housing needs, both now and in the future**

## Building the future

A variety of responses is needed to meet the range of housing needs, both now and in the future. Any balance or mix of assistance also needs to take into account the relative effectiveness, cost and acceptability of various options as they are developed and adopted. Given limited resources and competing priorities across policy areas, the government must decide where it should invest to maximise social and economic well-being. When deciding the best mix of housing interventions it must assess the value (including human, social, environmental and economic factors) that can be gained from a particular approach over the short and the long-term. It needs to weigh this against the direct costs of that approach and the potential costs and benefits of other forms of spending (for example, on health or education).



If considering new legislation or regulations, the government needs to assess the costs of compliance and administration, and whether regulation is likely to lead to other undesirable consequences, such tax avoidance or increased costs to consumers.

The challenge faced in developing housing policy is to show how, by addressing housing need and responding to the concerns identified in this discussion document, the government and other sectors can indirectly stimulate sustainable economic growth, improve the built environment, and contribute to community development.

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What areas of government policy and activity, other than housing policy, could be changed to improve housing outcomes? In what way?

# A proposed framework for the New Zealand Housing Strategy

**The vision for the strategy is that all New Zealanders have access to affordable, sustainable, good quality housing appropriate to their needs.**

## **Principles**

The housing strategy will be based on nine principles that guide and influence future housing policy and activity. They demonstrate an approach to housing policy that reflects the importance of housing in people's social and economic lives. The principles are:

- The pivotal role of housing: shelter is a basic human need and central to people's lives. It contributes to the social and economic well-being of individuals, communities and families
- Decent housing: housing must be affordable, of good quality and meet reasonable standards of design and energy efficiency
- Integration: housing initiatives will be increasingly integrated with other services and policies, such as community development, health, planning, urban design and transport
- Diversity and choice: the needs and aspirations of different groups should be recognised in housing policy and interventions
- Anticipating change: changing patterns of housing need should be anticipated and responded to
- Māori responsiveness: Māori aspirations and cultural values related to housing should be recognised in government's housing activity
- Partnership: working in partnership with others will improve the delivery of social housing for low and modest income families
- Active involvement: the government is committed to involving a wide range of stakeholders to develop and deliver housing policy and interventions
- Evidence-based: housing policy and interventions should be informed by solution-focused, evidence-based research.

## Areas for action

Six areas for action will be the key focus of the strategy. Each comprises a range of activities, research, programmes and planning over the next five to 10 years. The proposed areas<sup>1</sup> are:

- Improving housing assistance and affordability by investing in state housing, reviewing the Accommodation Supplement, supporting the growth of alternative not-for-profit housing providers and developing new approaches to improving affordability
- Developing collaborative responses across all sectors in housing markets under stress
- Developing and delivering innovative programmes to improve access to home ownership by lower-income households
- Improving the capability of the private rental sector to provide secure, decent housing to all tenants
- Improving housing quality through a strengthened regulatory framework and better standards
- Building capacity and capability in the housing sector to better respond to diverse housing needs.



Are the six areas the right ones for a New Zealand Housing Strategy? If not, what should they be?

## Area One

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# Improving housing assistance and affordability

Housing affordability is not simply a matter of housing costs and household income levels. It is also about a household's ability to obtain housing and then to retain it. It is important that households have sufficient residual income to purchase other necessities after paying their housing costs.

Rising house prices and rents, especially in high pressure areas, have put many households under stress. The government delivers a range of housing assistance programmes to address affordability and access to good housing. A key priority of the strategy will be to assess the effectiveness of the current mix of housing assistance programmes, to improve them if necessary, and to consider the development of new programmes.

## State housing provision

Housing New Zealand Corporation's rental housing numbers have been increased by 3,800 since 1999 and now stand at almost 64,000. The government is committed to building, buying or leasing over 3,300 additional state houses in the next four years, 73% of those in Auckland. State housing is allocated using set criteria to ensure that it is provided to those in greatest need. In the 2002/03 year nearly 10,000 new tenancies were let, housing about 30,000 people.

The waiting list for a Corporation tenancy was 12,349 households at the end of December 2003. Of these, just under 5,000 had a serious housing need, while nearly 2,500 were existing tenants seeking transfers to new houses. Improving the Corporation's ability to meet this need involves:

- Ongoing expansion of state housing stock
- Reconfiguring and modernising the existing property portfolio to respond to current and expected types of demand for social housing assistance, such as more large homes and single person units

- Continuing to use best match processes to ensure that state tenants' housing is well-matched to their needs.

The government will add stock through build, buy or lease programmes. Currently about 2.4% of state housing stock is leased. It is projected that this could increase to nearly 4% within four years, as 33% of new stock acquired during the period is expected to be leased. Leasing makes acquiring new stock less expensive, although it does not add to the state housing asset base. There is a risk that demands on building industry capacity, especially in Auckland may impact on the speed and cost of state house acquisition programmes. Addressing such capacity issues will also be a key priority of the New Zealand Housing Strategy.

Housing New Zealand Corporation uses a “best match” process to ensure tenants' housing is suited to their current needs. For example, this could involve transferring tenants in under-utilised homes (households with two or more spare bedrooms) to alternative accommodation in the same community or elsewhere, if acceptable to the tenant. This initiative freed up the equivalent of 71 three-bedroom state houses in 2002/03.



## Improving the effectiveness of the Accommodation Supplement

Work and Income delivers the Accommodation Supplement as part of the overall benefit system. People who spend at least 25% of their income<sup>5</sup> on housing (30% for home owners) are eligible for the supplement<sup>6</sup>. They then get a subsidy of 70% of their additional housing costs up to set limits, depending on the size of the household and the part of New Zealand in which they live<sup>7</sup>. The following case studies illustrate the problems that arise from the current limits, especially in relation to the adequacy of income available to households after they have paid for their housing.

### CASE STUDY: SHELLEY AND HER CHILDREN

Shelley is from Wellington and heads a single parent family with two children, aged four and seven. She receives a Domestic Purposes Benefit of \$252.60 a week, plus \$79.00 Family Support. Her rent is \$250 a week, which is average for a three-bedroom house in the area where she lives. She receives an Accommodation Supplement of \$100 a week, the maximum available in Wellington for her family size. Once she has paid her rent she is left with \$181 a week for all other costs. The family's food costs are \$120<sup>8</sup>, leaving just over \$60 for all the other expenses of the three members of the household.

## CASE STUDY: ROBERT

Robert lives in Tauranga and receives a Sickness Benefit. He flats alone as he has difficulty living with others due to his illness. His benefit is \$161 a week, plus \$66 Accommodation Supplement. Once he has paid his rent of \$135, which is average for a one-bedroom flat close to the health services he relies on, he has \$92 left each week. His food costs \$50 a week, leaving \$42 for all his other expenses.

The key issues are that:

- Changes in housing costs vary across regions, and the current Accommodation Supplement boundaries do not accurately reflect recent price movements in some areas
- Maximum payment rates for different family types have not been reviewed since 1997
- Increasingly, low income households are turning to the Special Benefit to meet high housing costs. An estimated 37% of all those claiming Special Benefit are paid the maximum supplement
- The abatement regime creates work disincentives
- The different entry and income thresholds for non-beneficiaries create barriers for some beneficiaries moving into low-income work.

Some aspects of the supplement are under review as part of the government's Future Directions package of social security reforms. This is a high priority for short-term policy on affordable housing. Other more extensive work to review the design and objectives of the supplement is also planned to ensure it is delivering affordable, sustainable housing to those experiencing real housing need.

## Encouraging other social housing providers

In 2003, \$63 million was allocated to a four-year programme of social housing demonstration projects to be developed in partnership with iwi, third sector housing providers and local government.

This programme, which includes the Housing Innovation and Local Government Housing Funds, is intended to encourage the development of an innovative alternative social housing sector that is able to provide affordable and secure rental housing and home ownership opportunities to low-income New Zealanders.

That sector includes alternative providers such as hapu/iwi, community groups, church groups and ethnic communities. The key reason to support alternative social housing providers is that they charge affordable rents and their tenants are more likely to enjoy security of tenure than in the private sector. Rents are generally set at cost recovery level and, where a small surplus is generated, it can be reinvested to develop additional affordable housing to meet ongoing demand.

To access the Housing Innovation Fund groups need to: meet at least 15% of the costs from their own resources (including land, labour or voluntary contributions); target low-income or special needs groups; have good property and asset management policies in place; and have demonstrable community support. Funding is also available for provider development and feasibility studies, in recognition that many potential providers of social housing, including hapu/iwi and urban Māori groups, are in the early stages of developing expertise in this area.

Supporting alternative social housing providers offers both social and economic benefits. Social benefits include: improved service delivery to specialised client groups; pooling resources and expertise; and the growth of social capital in communities by involving community members in developing and delivering local housing solutions.

Economic benefits include the ability to attract investment from local government, private partners and community-based organisations. Social housing has the potential to be a significant area of social investment for philanthropic trusts, socially responsible businesses and local government.

## Local government housing

Local government is the largest not-for-profit provider of rental housing after Housing New Zealand Corporation. Sixty-eight of the 86 local authorities provide some level of social housing, mostly for older people on low incomes and single people. Much of this housing was built in the 1970s and 1980s, supported by government subsidies. These ended in 1992, when the Accommodation Supplement was introduced as the primary form of housing assistance. A number of local authorities have expressed a desire to divest themselves of social housing stock, although many councils remain strongly committed to providing social housing. Wellington and Christchurch city councils are good examples. Between them they provide housing to just under 5,000 households including pensioners, refugees, low-income families, disabled people and people with mental illness.



Most local authorities providing social housing have maintained a rent policy that puts their rents below those in the market. The quality of their housing is very mixed, partly because maintenance and modernisation programmes have been deferred, and partly because much of the stock (often bed-sitting rooms) is ill-suited to modern needs.

The Local Government Housing Fund is aimed at modernising existing, outdated stock and purchasing new stock under a 50:50 funding matching arrangement. It is based on a long-term commitment to social housing provision by both central and local government. The government is also keen to explore new organisational design approaches with smaller councils that are struggling to manage small housing portfolios, including the possible development of joint venture housing associations and regional trusts.

## New models of housing assistance

Investment in alternative social housing providers through the new Housing Innovations Fund will broaden the range of supply-side housing assistance available to low and modest-income households. The development of incentives to attract investment by non-government funders and lenders in social and/or affordable housing will be investigated under the New Zealand Housing Strategy.

Local government can also influence the supply of affordable housing through the planning and zoning provisions of the Resource Management Act 1993, developer incentives, and inclusionary zoning especially in greenfield developments. Such mechanisms are commonly used overseas, and provide various incentives to private developers to supply affordable housing. The appropriateness of these mechanisms in New Zealand needs to be researched and tested, but holds promise in terms of easing supply pressures in areas like Auckland and Nelson.

The Queenstown Lakes District Council has already entered into an agreement with the developer of the Jacks Point area, to set aside land for affordable housing provision. This agreement entails a 5 percent commitment of all residential allotments created, contributed in either land or money, which can only be used for the purpose of affordable housing.

Some countries have also developed criteria for registering approved social landlords who either provide affordable housing on a non-profit basis, or reinvest surpluses in expanded social housing provision. Landlords are often housing associations or trusts and the funding for this type of housing is increasingly being provided by commercial lenders, especially in the United Kingdom.

**Local government can also influence the supply of affordable housing**

Under an approved social landlord programme, approval and thereby access to some types of assistance, is linked to criteria such as affordable rent setting policies, not-for-profit purpose, tenant involvement in housing management, housing being of good quality, and overall management and governance practice.

Exploration of each of these potential options is proposed, and will involve research, modelling and costing. Each, however, holds promise to expand the range of responses to the issue of housing affordability and also involves the contribution of the wider sector beyond central government. Communities, business, local government and the state all have a role to play.

## Action to improve housing assistance and housing affordability

Proposed actions to improve the effectiveness and mix of housing assistance programmes and improve housing affordability are set out below:

- a. Develop better methods for evaluating trends in housing affordability, review the thresholds of affordability assistance, and determine the numbers, location and characteristics of families below the affordability thresholds

**Lead agencies: Treasury, Ministry of Social Development, Housing New Zealand Corporation**

- b. Increase the number of state rental houses in areas where high demand is forecast, to ensure good quality, secure housing is available to households with the most serious need. Extend “best match” programmes to ensure state housing stock is well-suited to individual tenants and reconfigure and modernise existing state housing to better meet current and future demand

**Lead agency: Housing New Zealand Corporation**

- c. Review the need for short-term adjustments to the Accommodation Supplement to alleviate the most serious housing affordability problems, followed by an in-depth review of the Accommodation Supplement in terms of its policy objectives and effectiveness in improving affordability and delivering income adequacy

**Lead agencies: Treasury, Ministry of Social Development, Housing New Zealand Corporation**

- d. Support expansion of social housing and alternative social housing providers (including hapu/iwi, community sector and other not-for-profit groups) by using the Housing Innovation and Local Government Funds to encourage retention, expansion and improvement of social housing stock

**Lead agency: Housing New Zealand Corporation**

e. Explore structural options, such as regional trusts and housing associations, that could strengthen and improve the efficiency and quality of social housing provision by local authorities

**Lead agency: Housing New Zealand Corporation**

f. Assess and implement opportunities to encourage investment in and financing of social and/or affordable housing by the non-government sector, such as mortgage lenders, philanthropic trusts and socially responsible businesses

**Lead agency: Housing New Zealand Corporation**

g. Trial the use of planning and zoning instruments, such as inclusionary zoning and developer incentives, to increase the supply of affordable housing for rental and for purchase in high pressure areas

**Lead agencies: Housing New Zealand Corporation, Ministry of Housing**

h. Explore the potential benefits of developing criteria for a register of approved social landlords providing affordable housing

**Lead agencies: Housing New Zealand Corporation, Ministry of Housing, Ministry of Social Development**

How do you think housing assistance and affordability could be improved for low-income and disadvantaged people?

Q

## Area Two

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# Responding to housing markets under stress

While the strategy will take a broad approach to improving housing outcomes for all New Zealanders, it needs to recognise that some areas present specific problems and require tailored responses. Solutions are best developed in partnership involving local and central government, non-government organisations, residents and the private sector.

The following case studies show how Auckland and Nelson are responding to their own particular set of problems and opportunities. Each area is developing responses both at the community level and with the support of government.

### **Auckland: urban containment, population growth and rising prices**

Auckland is facing housing affordability, infrastructure and urban containment issues, along with high population growth and limited land supply. While 31% of New Zealand's population lives in the Auckland region, the region accounts for only 2% of New Zealand's land area. If current patterns continue, Auckland city will need to accommodate 141,000 more people within 20 years; while the Auckland region's population is predicted to reach two million by 2050.

The Auckland region has the largest number of renting households, and rents are rising at a higher rate than the rest of the country. Meeting the demand for affordable housing means rising costs for the government. The costs of acquiring new state housing, leasing from the private sector, and Accommodation Supplement are all increasing.

Auckland is the least affordable region in which to purchase a house in New Zealand. In November 2003, the median sale price for a house in Auckland reached \$320,000, an increase of over 20% in three years. While housing costs are lower in some parts of Auckland, any new housing in Auckland is likely to cost at least \$175,000 – putting it out of reach of most low income earners.

The cost of land and land development in Auckland varies widely, but ultimately affects affordability, as it is carried through to the final purchase price. For example, the cost of developing a greenfield site in East Tamaki is estimated at about \$35,000 a site, including the required reserve contribution. The additional cost when developing in-fill housing ranges from \$10,000 to \$25,000 for storm-water drainage alone.

## The Auckland Regional Growth Strategy and urban intensification

There is growing disquiet in Auckland about some of the effects of in-fill housing, and the potential effects of increased densities overall. These pressures reinforce the need for central and local government to work with communities to plan for growth in the future. The Auckland Regional Growth Forum, comprising the Auckland Regional Council and the region's local authorities, released the Auckland Regional Growth Strategy in 1999. The growth strategy attempts to provide for population growth in a sustainable way with higher density housing in existing metropolitan areas and managed expansion into greenfield areas.

The growth strategy aims to house twice Auckland's present population within the existing built-up area, which means doubling the current dwelling stock. By 2050, it is envisaged that more than a quarter of Auckland's two million people will live at higher densities.

As greenfield development capacity within the region disappears, there is likely to be upward pressure on land prices. This has led to concerns, expressed in the Auckland Regional Affordable Housing Strategy 2003, that urban containment and continuing growth may raise house prices even further.

The new Residential 8 zone is an integral part of the Auckland City Council's overall urban growth strategy. The new zone allows for increased housing density across a number of areas of Auckland city. It aims to encourage compact residential and mixed-use developments within identified areas no less than 2 km from the central business area. Sites will only be available for development if they cover at least one hectare.

High quality developments may still be beyond the reach of the average home owner though, and the risk of poor quality housing being built for those on lower incomes



**Councils in the Auckland region are also actively planning for or encouraging the development of medium density housing**

will require proactive management. Many submissions to the Council on the proposed zone change expressed high levels of concern about the potential for poor quality or inappropriately sited housing developments. The Council has recently expanded the role of its independent urban design panel to include reviewing proposed developments in residential 8 zones and providing advice to developers on design best practice.

Other city councils in the Auckland region are also actively planning for or encouraging the development of medium density housing in response to predicted growth. The provision of design guides and criteria and setting limits on the size and location of sites for medium density housing are practical ways of managing this type of growth.

The Regional Growth Forum also called for a review of the Unit Titles Act 1972. It was concerned that the Act, which governs bodies corporate and their role in administering commonly owned property, had become out of date with the growth in apartment living and high density housing. The Ministry of Economic Development will review the Act in 2004 with a view to introducing legislative amendments by the end of the year.

## **Hobsonville, Flatbush and other new developments**

Housing New Zealand Corporation has been working with Waitakere City Council to explore development options for the former air force site at Hobsonville. The site, in north-west Auckland, will form an integrated urban community with a range of housing types, reserves, schools, retail centres and local employment opportunities. While any residential development at Hobsonville will be subject to planning consents and processes and is unlikely to happen before 2008, it is an opportunity for central and local government to work together to demonstrate a commitment to the long-term vision required to improve housing and community planning.

It has also highlighted the potential for surplus Crown and possibly local government land to be identified and set aside for affordable housing developments. For example, any surplus land at the decommissioned Whenuapai Airbase site could potentially be considered for mixed housing development.

Flatbush, in Manukau City, is a planned greenfield development that is projected to provide for up to 40,000 additional residents over twenty years. The vision for Flatbush is focused on urban containment, selective intensification, diversity of housing types and a mixed urban and semi-urban land use pattern. The development will include a town centre, significant recreational areas and provision for employment growth. The plans also call for a high level of connectivity, protection

of natural features and provision of high quality, accessible open space, all of which have been shown to deliver superior amenity values to conventional low-density development.

## Social housing initiatives

Although 43% of Housing New Zealand Corporation's total housing stock is in the Auckland region, it represents only 7% of the total dwellings in that region. At 30 November 2003 the Corporation had more than 3,200 high-need applicants in Auckland waiting to be housed, yet only 219 houses became vacant during that month. To address the housing shortfall, the Corporation expects about 73% of the properties it acquires in future to be in Auckland. It has added approximately 3,000 properties to its Auckland housing portfolio since 1999.

These include the 1,700 Auckland City Council properties purchased in early 2003. The majority of those properties require upgrading or redeveloping, and the government plans to spend a further \$75 million on this work over the next five years. Planning work is underway, with the ultimate aim being to retain or increase the number of properties and to help meet the growing demand for quality, affordable housing in the Auckland area.

## Emergency housing

There is growing demand in Auckland for emergency accommodation to meet the immediate needs of people in housing crisis. There is also a shortage of appropriate and affordable long-term housing for people moving out of emergency accommodation, and a lack of services for single people, particularly single men. Housing New Zealand Corporation is developing funding options for supported and/or emergency housing, in consultation with emergency housing providers and other funders.

**Although 43% of Housing New Zealand Corporation's total housing stock is in the Auckland region, it represents only 7% of the total dwellings in that region**

## **CASE STUDY: HEALTHY HOUSING AND COMMUNITY RENEWAL PROGRAMMES**

The Healthy Housing Programme is a partnership between Housing New Zealand Corporation and District Health Boards. It aims to reduce overcrowding and the associated risk of meningococcal and other crowding-related diseases. It also seeks to improve health by facilitating referrals to health and social service providers and by undertaking housing modifications. In 2002/03, the programme helped over 400 households. Early reports indicate a 30% drop in hospitalisation rates in areas where Healthy Housing has been introduced.

The Community Renewal Programme takes a partnership approach to involve residents of renewal areas and local councils in projects to promote safe, healthy and confident communities. It involves upgrading housing stock in areas with concentrations of state housing. Community renewal is underway in five areas including Talbot Park in Glen Innes, Clendon in South Auckland and Northcote.

## **Sustainable development: sustainable cities**

An urban design protocol is being developed under the government's Sustainable Development for New Zealand: Programme of Action, led by the Ministries of Economic Development and for the Environment. Under this protocol, steps will be taken to promote better design in Auckland, to address any Auckland specific issues and to demonstrate the advantages of design for sustainable development. A demonstration project to apply a best-practice approach to a residential housing development is planned. This will include building design and standards, location and accessibility to transport, local identity and cultural expression. Design will also focus on affordability, energy efficiency, waste minimisation and the relationship to the natural environment.

Auckland will be a focal point for the Sustainable Cities work programme which includes a range of projects to address the impact of intensification, improving the quality of urban design, improving the sustainability of the built environment and increasing access to affordable housing.

## **Nelson: the sunbelt and the primary sector**

Nelson has experienced population growth and rising property values, and is having trouble providing affordable housing to key workers and middle-income families. Since 2001, Nelson has experienced rapidly escalating house prices. The 59% increase

over the past two years was the fastest in the country. This seems to have two causes: increases in housing supply in the Nelson area have not kept pace with the influx of people wanting to buy there; and many new arrivals to the area are in asset rich age groups moving from expensive housing markets, such as Wellington, or from overseas. Their relative wealth enables them to bid up the price of housing, creating an affordability problem for first home buyers and buyers in low and middle income groups. Overseas buyers and second home buyers living in other parts of the country may also be crowding out local buyers.

Housing stress is compounded by strong demand for temporary housing from both seasonal workers and tourists. In addition, many Nelson residents work in lower paid jobs in the primary industries, reducing the median annual income (\$17,100) below that of the rest of New Zealand (\$18,500).

## Local and national responses

The Nelson City Council has been active in seeking to address housing issues in the wider context of social well-being. Its report Social Well-being Priorities for Nelson City identified the following housing priorities:

- To form a working party to assess possible barriers to the construction of new low to middle-income housing, with the objective of increasing the number of new dwellings for rent or purchase
- To form a coalition of community organisations to lobby central government to increase the rate of Accommodation Supplement for Nelson residents
- To review, with Housing New Zealand Corporation, the cost of renting accommodation and purchasing property, assistance for first home purchasers and current wage levels
- To review (by the District Health Board) the impact of high housing costs on the health and safety of low to middle income residents
- To further assess (by the Council and appropriate agencies) current levels of housing need in Nelson and explore ways of increasing emergency housing provision for single males and females in the city area
- To collaborate with Housing New Zealand Corporation to discuss expansion plans to meet population growth, particularly among low income earners
- To develop inter-agency links to establish a whole-of-government approach to housing solutions.

Local and central government need to work together to address housing need in sub-markets such as Nelson. Employers and developers also have a role to play, especially when primary industries rely on the availability of seasonal workers. While social housing will grow to meet the needs of the most disadvantaged in the community,

**Housing stress is compounded by strong demand for temporary housing from both seasonal workers and tourists**

there needs to be a wider strategy to ensure housing costs are affordable for the middle-income families that make up the majority of households.

Such households often include key workers such as tradespeople, teachers, health workers, police and retailers. If housing becomes unaffordable to these groups, then Nelson and cities like it will face serious problems in supporting their populations.

## Collaborative responses to other localised housing issues

While the Auckland and Nelson experiences highlight the impact of high housing demand and rapidly rising prices, other communities are characterised by economic decline, falling property values and shrinking rating bases, which compound social issues.

Problems related to substandard housing in areas such as Northland and Tairāwhiti, are being addressed urgently. A focus on regional social and economic development is especially relevant. This will address population decline and income disparity, and its associated impact on housing.

Yet many other communities are maintaining a stable, affordable housing environment for the people who choose to live there. Levin is a good example. Its median weekly rents have increased only slowly over the past 10 years and are low by national standards. At 73%, it has a higher rate of home ownership and the median house sale price in 2003 was \$98,500.

While some small urban areas have declined significantly in recent years, Levin's position has been relatively stable and provides a good basis from which to build. While growing house prices in the neighbouring beach settlements may present a challenge to the district, they also have the potential to act as a catalyst for economic growth and diversification, delivering employment opportunities in the construction and service industries and improving the rating base for the district.

One-size-fits-all housing policies will not address the specific needs of the range of communities and housing markets in New Zealand. A collaborative approach involving key players such as local government, central government, hapu and iwi, business and industry, community groups and the communities themselves, is more likely to be responsive to the specific needs of a particular place. The government is committed to working in this way to address housing issues that impact on the social and economic well-being of their communities.

**Some communities are characterised by economic decline, falling property values and shrinking rating bases**

## Action to respond to housing markets under stress

The complex issues behind such housing problems require a concerted and progressive partnership approach that recognises the important and complementary role of each participant. A joint planning exercise to adopt a common housing strategy for the Auckland region is needed, given the significant policy and delivery initiatives planned by both local and central government. In Nelson, local and central government are investigating the best way to develop a cross-sectoral approach to housing issues.

The following programme of action proposes a potential series of co-ordinated activities that respond to housing markets under stress. The scale and level of investment will depend on the extent and nature of local issues, and their relative impact in terms of population numbers and social and economic well-being. Any such programme will need to be maintained over long timeframes, be developed in response to a sound analysis of the problems being experienced, and involve key stakeholders across all relevant sectors at both the central and local level.

**Proposed actions are:**

- a. **Implement initiatives that will make housing more affordable and accessible for low-income households.** Initiatives could involve: promoting the use of local government planning provisions to secure the development of affordable housing; reviewing the Accommodation Supplement thresholds and maximum area rates; and providing home ownership support for families that can sustain it over time. The role of employers in improving accessibility to affordable housing should also be assessed, in consultation with business communities at the local level.
- b. **Contribute to initiatives that will increase the supply of social housing and help diversify the range of social housing options.** The government will continue to expand its own provision of social housing as well as provide ongoing support to local government and other social housing providers, including urban Māori organisations and iwi/hapu. It will also investigate housing trusts and joint ventures for social housing, including involving socially responsible businesses. The continuing implementation of the Community Renewal and Healthy Housing programmes will improve both the quality of social housing and the housing options available to larger, extended families. Investigation into the level of demand for emergency housing, and development of clearer funding policies will assist in ensuring those with most severe housing need are safely housed in the short term.

- c. Promote well-designed and appropriately located affordable housing. Housing New Zealand Corporation will seek to identify land suitable for affordable housing development, including surplus Crown and local authority land. It will also improve existing suburbs with high concentrations of state housing and develop integrated urban communities in areas such as Hobsonville and other identified greenfield sites. Identification of opportunities for brownfield developments will also facilitate increased supply of affordable housing. Any moves to increase densities will require involvement of communities in planning processes to ensure intensification does not result in poor quality housing.
- d. Review legislation to assess its impact on housing problems. Recent trends in investment patterns and in housing choices have led to the need to review legislation impacting on housing issues. The Ministry of Economic Development is reviewing the Unit Titles Act 1972 to assess its applicability and relevance to present day housing preferences, especially its functions in regulating the activities of bodies corporate.
- e. Explore how sustainable urban form can contribute to reduced housing costs. Initiatives such as the urban design protocol and the Auckland Regional Growth Strategy should consider how to improve the affordability of infrastructure, including land development and essential services, so as to improve access to affordable housing. Investment in improving transport systems and increasing the use of public transport could be used to encourage the development of affordable housing in areas close to employment, retail and community services, such as schools, health and social services.



What kind of activities or policies will have a positive effect in housing markets under stress?

# Innovative home ownership programmes

## The changing face of home ownership

The most notable feature of the shift taking place in our housing tenure structure is the decline in the rate of home ownership and the consequent growth of private renting.

Home ownership has fallen from 74% to 68% over the last decade. There has been a 44% decrease in the 25 to 44 year age group of home buyers in the same period. If these trends persist, the home ownership rate will fall to 62.5% by 2011. This would mean that 80,000 fewer households would be home owners than if today's rate of home ownership applied.

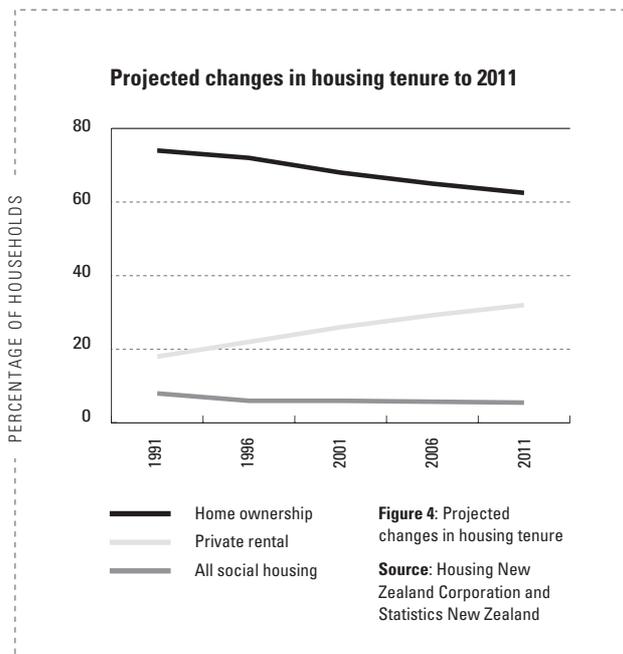
Research currently underway<sup>9</sup> should provide better information on home ownership trends. In the meantime, it is thought that a number of factors may account for the decline in home ownership:

- Changing labour market dynamics resulting in more casual work and job changes that affect security of income and therefore mortgage servicing ability
- Changing social dynamics resulting in more fluid and changeable family arrangements
- Increased competition between first home buyers and residential property investors at the lower end of property markets
- Increasing uptake of tertiary education and student loans, along with people having families later in life
- House prices rising faster than household incomes, and increased levels of consumer debt
- Removal of specific assistance for entry into home ownership.

Despite this, home ownership is still a strong aspiration for most New Zealanders. Significant numbers of households, including Māori and Pacific people and those at the lower end of the market, are unable to achieve home ownership. Many of these households have the potential to benefit both economically and socially from well-targeted home ownership support. Recent growth in home ownership in the United States, in response to government assistance, has largely been amongst minority groups, with more than 40% of the net growth in ownership being within that population.

## Risks and benefits of home ownership

New Zealand has a strong culture of home ownership. Its internationally high rates of ownership were fuelled between the Second World War and the late 1980s, by government actively promoting the benefits of home ownership and providing generous support to families wishing to buy or build their own homes.



For many households, home ownership contributes to positive economic outcomes and associated improvements in health and educational well-being. High home ownership rates have positive effects within communities, and are associated with social capital growth and neighbourhood stability. The expectation that home ownership will serve as a vehicle for retirement savings through equity growth is also well entrenched. The ability of home ownership to fill this role in the future is less certain though, as increasing ease of access to mortgage finance is leading to higher debt over longer periods.

Home ownership does not always protect people from poverty. A recent study in the

United Kingdom found that 50% of households in poverty are home owners. The lack of, or even negative, capital growth in some New Zealand rural locations also suggests that home ownership may not always be the best option for people living in remote areas, especially where household income is insufficient to adequately maintain a home.

Programmes involving significant direct subsidy to home owners can be very expensive without any assurance of reversing tenure trends. While Australia advanced \$2.4 billion in First Home Buyer grants to 300,000 households in the scheme's first two years, it has only slowed the decline in the home ownership rate. The non-targeted scheme is also seen as possibly fuelling further increases in house prices and being more beneficial to middle to high-income households that would be able to afford home ownership without assistance. Recent indications are that 77% of grants have been accessed by the 40% most well-off households, and only nine percent by the poorest 40% of households.

## What is being done to help home owners?

Until recently the government's direct activity in home ownership assistance was restricted to small lending programmes tightly targeted to Māori and low-income rural families, such as the Low-Deposit Rural Lending and papakainga schemes. In addition, approximately 40,000 home owners receive the Accommodation Supplement to help them with their housing costs, at an annual cost of \$127 million.

Low Deposit Rural Lending offers a finance option which requires a three percent deposit and is targeted for low-modest income earners who want to buy or build in designated, primarily rural areas. To be eligible for a Low Deposit Rural Loan applicants must meet lending criteria which include being able to meet the repayments and completing a home ownership skills course. The aim of the course to make people aware of the responsibility and commitments required to buy and own a home and to provide them with ongoing support and guidance.



Papakainga lending is available for building or buying housing on Māori land held in multiple ownership. The lending is secured over the house only, as opposed to the house and land in a standard mortgage security. To be eligible for this loan, buyers need to meet lending criteria and provide a 15% deposit. In addition to the standard requirement that a house meet all applicable local authority requirements, a house over which a papakainga loan is secured must be easily relocatable.

The government recently introduced a mortgage insurance scheme, piloted through Kiwibank. It targets those able to afford, but unable to access, mortgage finance through the existing banking system. Although mortgage lending through traditional banks is at historically high levels, the high level of interest in the scheme suggests that there are significant numbers of lower income households not catered for in the

market. There were nearly 9,000 enquiries and 1,300 applications in the first four months, resulting in 279 approvals at 31 December 2003.

The initiative should ensure that those able to sustain home ownership can access mortgage finance. It should also encourage private institutional lenders into the low-income home lending market, if it can confirm the commercial viability of lending to this group. The criteria for access to the scheme are that:

- one or two people in the same household have a combined income of up to or including \$55,000
- three or more people in the same household have a combined income of up to and including \$100,000
- all applicants have a good credit history and can meet repayments and other conditions.

If there are more than two sources of household income Kiwibank will take this into account, whereas other lenders may not. This will help households living in an extended family situation and who want to buy a home. One of the key features of the scheme is pre- and post-purchase support that ensures that buyers are aware of what owning a home involves and that early support can be put in place if borrowers have difficulty meeting mortgage payments.

The programme is being evaluated throughout its implementation and, as a result, its entry thresholds and lending criteria are being broadened and the programme may be expanded to meet growing demand.

**Housing New Zealand Corporation is exploring further options for innovative home ownership programmes**

## Potential new programmes

Housing New Zealand Corporation is exploring further options for innovative home ownership programmes and is closely examining the successes of, and problems related to, alternative methods of assistance. Potential models being assessed and considered for adoption include savings incentives, deposit assistance, shared equity and sweat equity models.

## Action to develop and deliver innovative home ownership programmes

A proposed programme of action is set out below to develop and deliver innovative home ownership programmes:

- a. Undertake research into the causes of the decline in home ownership, especially the declining proportion of first home buyers and continue to actively monitor housing markets

**Lead agencies: Housing New Zealand Corporation, Centre for Housing Research Aotearoa New Zealand**

- b. Implement, progressively evaluate and consider expanding the Housing New Zealand Corporation's mortgage insurance scheme to improve access to home ownership for low-income families

**Lead agency: Housing New Zealand Corporation**

- c. Investigate the effectiveness of other innovative home ownership programmes such as savings incentives, deposit assistance, shared equity and sweat equity models, with a view to making recommendations for implementation

**Lead agency: Housing New Zealand Corporation**

- d. Continue to provide home lending programmes to low-income families in rural areas and families living on collectively-owned Māori land

**Lead agency: Housing New Zealand Corporation**

Should the government be assisting people to buy their own homes? If so, how?

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## Area Four

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# Developing the private rental sector

A key government goal is to promote a rental market that provides stable, quality housing to those who choose or need to rent their homes, and balances the need of tenants for a home and landlords to manage their business effectively.

### Rental market trends

A healthy private rental sector provides additional housing choices for people who do not want, or are unable, to buy their own homes or access social housing. The private rental market has an increasingly important role in the overall housing system. It is growing, and is projected to continue to do so, as home ownership rates fall. Between 1991 and 2001 the residential rental market grew by over 35% (approximately 100,000 households) with 26% of households privately renting by 2001.

So far the private rental market has responded to the decline in owner-occupation with increased investment in rental property. This investment may not continue, however, if rental yields fall too far behind house prices. In some regions rental housing returns are below the cost of capital. As a result some investors may be relying on capital gains and tax rebates to make a return on their investments. This is not a sustainable basis for ongoing investment that delivers a stable rental housing market.

### Who rents privately?

A wide variety of people rent their homes privately. They include low-income households that cannot afford home ownership, higher-income renters who choose to rent, and younger people and students renting for lifestyle reasons, or before buying a home. Renting is, however, becoming a permanent type of housing for a growing proportion of the population.

While the flexibility of the private rental market may work well for some, for others (particularly families on low incomes and older people or households with special needs) the related insecurity of tenure may be a significant problem. Ministry of Social Development research on the living standards of older New Zealanders reveals that retirees who rent do not enjoy the same social and health outcomes as owners.

There is a high degree of movement within much of the residential tenancies market. The average duration of all tenancies that ended in the year ending December 2002 was less than 15 months. More than half of those ended within 10 months, 33% within six months and 13% in less than three months. The short duration of many tenancies can make it difficult to maintain schooling, contact with health professionals, social linkages and networks, and to participate in the community. This can have a negative impact on health, education and other social outcomes. There may also be significant costs associated with moving and setting up a new property.

## Who supplies rental homes?

Ownership in the private rental market is highly fragmented. A survey conducted in 1999 for the former Housing New Zealand Ltd, found that of the 601 rental property owners interviewed, only 29% owned three or more rental properties. There is a virtual absence of large corporate investors, although there has been some recent investment of this nature in student accommodation and retirement villages. The benefits of investing in residential property enjoyed by individuals, such as untaxed capital gain and negative gearing<sup>10</sup>, are generally not available to institutions, making it a less attractive proposition for that type of investor, especially when yields are low.

Evidence suggests that individuals invest in rental housing for a range of reasons. Of the owners interviewed, 21% had not acquired their first investment property on purpose but through circumstances such as inheritance or an elderly parent entering residential care.

As a consequence, many landlords have little chance or intention of becoming expert property managers. Some turn to professional property managers to help them manage their property, but there is considerable diversity among property managers in terms of their experience and skill. The sector has been likened to a cottage industry, with the uptake of professional management services by landlords only about half that of some Australian states.

**There is a virtual absence of large corporate investors**

In addition, at the 2001 Census, there were an estimated 50,000 (13%) tenancies where bonds were not registered with Tenancy Services. While there are situations in which landlords are not required to lodge bonds, e.g. if renting to a family member, and some landlords chose not to take a bond, there may be landlords operating outside the provisions of the Residential Tenancies Act 1986.

## The regulatory framework

The residential rental market is regulated by the Residential Tenancies Act 1986. It defines the rights and obligations of residential landlords and tenants, sets out dispute resolution procedures and establishes a fund into which bonds are paid and held in trust. Administration of the Act is supported by public education and information, tenancy advice, dispute resolution, and bond administration activities provided by the Ministry of Housing. Its tenancy advice service received almost a quarter of a million calls in 2002/03, 51% of which were from tenants. In addition, its dispute resolution service seeks to resolve issues between tenants and landlords without recourse to legal action.



The government is reviewing the regulatory framework provided by the Act, which has now been in force for 17 years. It has also introduced the Residential Tenancies Amendment Bill which will: extend the Act's provisions to boarding houses; enable the Tenancy Tribunal to award exemplary damages against landlords who let substandard housing; and require landlords, rather than tenants, to pay letting fees to agents.

Supporting landlords to provide good quality service to tenants, and advising tenants of their responsibilities and rights, are important factors in developing the private rental sector. The government recently introduced a package of initiatives aimed at both tenants and landlords. The initiatives include:

- Providing access to government-held address information to trace Tenancy Tribunal Order debtors
- Providing a Work and Income package and Rent Help for Tenants in Difficulty and which includes new processes for tenants to access benefit redirection for rent and rent arrears
- Considering providing improved access to Tenancy Tribunal decisions
- Offering more landlord and tenant education options through Tenancy Services.

## Action to develop the private rental sector

The following actions are proposed to promote a rental housing sector that provides stable, good quality housing:

- a. Implement the Residential Tenancies Amendment Bill, when it is enacted, to extend coverage to include boarding houses

**Lead agency: Ministry of Housing**

- b. Review the regulatory framework provided by the Residential Tenancies Act 1986

**Lead agency: Ministry of Housing**

- c. Improve the ability of tenants and landlords to enforce their rights under the Act, including improving the ability to enforce Tenancy Tribunal orders and investigating the possibility of providing access to Tenancy Tribunal orders online

**Lead agency: Ministry of Housing**

- d. Increase understanding of the rental market and investigate responses to address barriers to accessing private rental housing. Use active monitoring to identify trends and develop appropriate policy and programme responses

**Lead agencies: Ministry of Housing, Housing New Zealand Corporation**

- e. Continue to develop and implement strategies aimed at improving the quality of business and property management practices, and at preventing and resolving disputes that affect the stability of housing

**Lead agency: Ministry of Housing**

What are the strengths and weaknesses of New Zealand's private rental sector? How could it be improved?

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## Area Five

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# Improving housing quality

The long-term social and economic costs of poor quality housing (such as poor health and educational achievement) mean that investing in good quality housing makes good social and economic sense. Care must be taken, however, to ensure that efforts to improve housing quality do not have a negative effect on its affordability and availability, especially for those groups that are least well-off.

At present there is no single set of agreed criteria against which housing quality can be assessed. While legislated standards, such as the Housing Improvement Regulations 1947 and the Building Regulations 1992 (the Building Code), provide minimum standards that houses must reach for people to be allowed to live in them, they do not provide a clear definition of what constitutes an acceptable quality home.

While the government can intervene to improve housing quality in a number of ways, including direct investment, its predominant approach has been through legislation and regulation. Effective regulation is a balancing act between wider societal concerns and individual rights, between encouraging certain behaviours and avoiding unintended consequences.

### **Improving the regulatory framework to ensure good quality construction**

The most significant government action to improve the quality of new housing construction and building work is the review of the Building Act 1991. The objectives of the review are to strengthen the provisions of the current regulatory framework, and to enhance the direct and indirect protection provided to purchasers of building services, especially home owners. The changes proposed as a result of the review and set out in the Building Bill include:

- Strengthening the powers of the central regulator, the Building Industry Authority
- Providing greater direction to those administering the regulations (local authorities) and those required to comply with the regulations (the building industry)
- Increasing the capacity of inspection bodies (local government and private certifiers) to administer the regulations by requiring them to be certified
- Encouraging a higher level of accountability and competence by practitioners
- Improving consumer protection.

The purpose of the Building Bill has also expanded to include concepts of sustainability and amenity. These will impact on the Building Code as it is reviewed over the next two years. Other work taking place or planned that is relevant to housing quality includes:

- Updating the Architects Act 1963 to bring it in line with current practice in the regulation of occupational groups
- Reviewing the Building Regulations 1992 (the Building Code) to ensure its coherency with the Building Bill
- Ongoing development of the Drinking Water Standards for New Zealand 2000
- Developing national environmental standards for installing and maintaining septic tanks.



## Addressing existing poor quality housing

The effect of living in poor housing is far-reaching and the government is taking steps to resolve the inadequacies of the legislation that covers existing housing standards. The enforcement of standards by local authorities has often been inadequate for a variety of reasons. These include: a lack of alternative accommodation for people in substandard housing; the lack of any ongoing monitoring regime; and a confusing mix of responsibility and regulation across a number of statutes and agencies. Work is underway, led by Housing New Zealand Corporation, to improve the regulatory framework impacting on substandard housing. It includes:

- Identifying barriers to the effective enforcement of the existing but now dated minimum standards
- Devising appropriate solutions to lax enforcement of current standards
- Developing a database of the incidence of substandard housing in New Zealand and undertaking a national survey of housing

- Reviewing the adequacy of the Housing Improvement Regulations and, if necessary, developing a new baseline housing standard to replace them
- Ensuring that standards under the Building Bill and any other legislation or regulations on housing quality are consistent and mutually reinforcing.

## Eliminating substandard rural housing

A number of small rural communities have suffered from local economic decline and the absence of new investment in recent years. Electricity, roading, adequate sewerage and clean drinking water are sometimes unavailable, due to the cost of supplying basic services to isolated communities.

In 2001, the tragic death of five children in house fires in Northland highlighted that, in some parts of New Zealand, people are living in substandard housing that is a direct and immediate danger to them.

In 2002, the government committed to spending just over \$53 million over four years to address the physical consequences of substandard housing in rural areas. Called the Rural Housing Programme, it comprises:

- Carrying out urgent and essential repairs on dwellings that pose serious health and safety risks
- Setting up Home Improvement Project Zones to help fund local iwi and kaupapa Māori organisations to co-ordinate and administer maintenance and repair programmes in their areas
- Increasing the supply of state housing in affected areas to ensure families have access to affordable, good quality housing
- Working with local iwi organisations to build their own rental portfolios and ability to respond to housing problems in their communities
- Implementing the Ministry of Health's Sanitary Works Subsidy Scheme that subsidises sewerage schemes to settlements of 100 to 10,000 people.

Since the programme began in 2001: 117 state houses have been added to the target areas; essential repairs loans have been approved for 567 homes; 38 loans have been granted for infrastructure improvements; nearly 500 households have benefited from Home Improvement Zone grants; and over 40,500 smoke alarms have been installed through the New Zealand Fire Service's Te Kotahitanga programme.

## Improving the quality of state housing

Much of the state housing stock needs to be modernised to meet current standards, especially in kitchens and other wet areas. The planned modernisation programme will progressively improve the quality of state housing and its ability to meet the needs of today's households. A programme of energy efficiency retrofitting is also underway. This improves living standards and health for state tenants, and results in savings on energy costs. This could provide a model for the private sector to upgrade the quality of affordable rental stock, where necessary.

In 2002, Housing New Zealand Corporation published a series of development guides for social housing. The guides are intended to be used in all its development work and as a resource for other developers of affordable housing. They cover the development process, site design, architectural practice, urban and rural design issues and Māori and Pacific design principles.

## Housing quality in the owner occupied and private rental sectors

If a home owner is unable or unwilling to maintain their home, there is currently little preventing the house deteriorating to a substandard condition. Local authorities can use the provisions of the Building Act 1991 or the Health Act 1956 to enforce maintenance, but this would only be enforceable once the house had become dangerous or unsanitary.



Rental property is the exception. Under the Residential Tenancies Act 1986, landlords are required to maintain their properties to an acceptable standard. However enforcement is not generally initiated until renters complain, potentially risking the security of their tenancies. The ability of the Tenancy Tribunal to award exemplary damages to tenants in sub-standard rental housing, as proposed in the Residential Tenancies Amendment Bill, is intended to encourage landlords to maintain their properties to a decent standard. The review of the Residential Tenancies Act 1986, planned for 2004, will identify whether any further legislative change is needed to strengthen the quality provisions of that Act.

A 1999 survey by the Building Research Association of New Zealand estimated that an average dwelling requires \$4,000 a year for maintenance but that, on average, home owners are spending only \$800 a year. Improving housing quality also requires

more attention to maintaining existing owner-occupied stock. Promoting an improvement in the maintenance of existing housing in the owner-occupied sector is challenging. Currently local councils have some powers to direct homeowners to undertake maintenance, but these are seldom used and are generally in response to the negative neighbourhood impacts of poor maintenance. Some countries have introduced compulsory inspection and rating schemes that require owners to disclose information on any outstanding repairs when they seek to sell their home.

While this gives a level of consumer protection to home buyers and provides an incentive to homeowners to maintain their properties if they are intending to sell them, it is unlikely to improve the quality of homes that have been systematically under-maintained and which are not planned to be sold. Addressing these issues will be part of the programme to improve the quality of existing housing outlined above.

## Action to improve housing quality

The following actions are proposed to improve the quality of New Zealand's housing:

- a. Complete the review of the Building Act 1991 and the Building Code, and implement new legislation and regulations

**Lead agencies: Ministry of Economic Development, Building Industry Authority**

- b. Provide advice, damage assessments, mediation, and adjudication services to help resolve disputes over problems arising from leaky homes

**Lead agency: Weathertight Homes Resolution Service**

- c. Develop a database recording the incidence of substandard housing and undertake a national survey of housing

**Lead agencies: Statistics New Zealand, Housing New Zealand Corporation**

- d. Review the Housing Improvement Regulations and, if needed, develop a new baseline housing standard for New Zealand

**Lead agencies: Housing New Zealand Corporation, Ministry of Health**

- e. Continue to implement the five-year Rural Housing Programme to eliminate substandard housing in Northland, East Coast and Eastern Bay of Plenty

**Lead agencies: Housing New Zealand Corporation, Ministry of Social Development**

- f. Continue the current programme of modernising state housing stock and undertaking energy efficiency retrofitting

**Lead agency: Housing New Zealand Corporation**

g. Implement the Sanitary Works Subsidy Scheme, improving sewage treatment and disposal in small, rural communities and develop National Environmental Standards for septic tanks

**Lead agencies: Ministry of Health, Ministry for the Environment**

h. Continue to develop and improve the Drinking Water Standards for New Zealand 2000

**Lead agency: Ministry of Health**

i. Implement the National Energy Efficiency and Conservation Strategy, the Energy Efficiency and Conservation Act 2000 and develop a home energy rating system.

**Lead agency: Energy Efficiency and Conservation Authority**

j. Continue to implement Housing New Zealand's Development Guide in all government social housing developments and promote as best practice for social and other affordable housing

**Lead agency: Housing New Zealand Corporation**

k. Consider whether legislative change is required to the Residential Tenancies Act 1986, to strengthen the provisions of the Act relating to the quality of rental housing

**Lead agency: Ministry of Housing**

How effective is the current system for promoting and regulating housing quality? How could it be improved?

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## Area Six

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# Building capacity and capability across the housing sector

The capacity of the housing sector to meet the needs of an increasingly complex market has to be supplemented by new initiatives to build the expertise and commitment in industry and in the community. Ultimately, the sector needs to be able to deliver diverse housing solutions that meet the needs of all New Zealanders in a dynamic and changing world.

### Skills-based capacity

#### **Building and construction industry capacity**

The building and construction industry is stretched to meet current demands in two ways:

- Actual capacity and capability to meet current and future demand
- Skills and expertise required in the current environment.

Ongoing workforce planning that involves industry, government and training providers is the key to ensuring capacity is sufficient in the future. Demand for building activity is high and shortages continue to be reported. Thirty-six percent of employers in the building industry report that a shortage of skilled and unskilled labour is the primary constraint on the expansion of their business, compared with 14% across the economy as a whole.

The government has already made significant moves toward addressing skill shortages in the building industry. The introduction of the Modern Apprenticeship Act 2000 has provided a good platform for rebuilding construction skills in New Zealand. The

move to compulsory registration of builders proposed in the Building Act 1991 review should increase consumer confidence in the building profession. It may, however, impact on capacity in the industry, especially in smaller centres and rural areas.

The Department of Labour is intending to undertake an industry/regional co-ordination project on the building industry in Auckland in the near future. This project responds to skill shortages that appear to limit economic growth. It will include:

- Examining the underlying causes of current issues/problems through in-depth analysis of relevant information and consultation with stakeholders
- Co-ordinating an effective whole-of-government approach
- Focusing on supporting and facilitating industry stakeholders to take effective, immediate and ongoing action.

The initial phases of the project include: building relationships with stakeholders (employers, unions, and community); and analysing and researching current issues and problems in consultation with stakeholders.

### Training initiatives

While the following figures support the view that capability in the industry is growing, the impact of these initiatives on the capacity of the industry to meet demand will take time to emerge. For the year to March 2002, there were 2,931 trainees registered in building and construction industry training. This increased to 3,626 by March 2003, and rose to 3,931 by 30 June 2003. From March 2002 to March 2003, the number of apprenticeships in building and construction increased by 18% from 689 to 818.

A training initiative related to state housing provides for maintenance contractors engaged by Housing New Zealand Corporation to develop community contribution plans. These plans involve the contractors recruiting and training local residents, and aligning their activities with local youth apprenticeship and trade training schemes wherever possible. The Corporation has also established, in partnership with the Building and Construction Industry Training Organisation, a national qualification in residential property maintenance.



**The Building Act review identified the development of skills and training as a key solution to addressing the weathertightness issues in the building industry**

### **Higher standards on their way**

The Building Act review identified the development of skills and training as a key solution to addressing the weathertightness issues in the building industry. The Building Bill proposes improved regulation of the building and construction industry. The main capability demands arising from the Bill are:

- Increased monitoring and information gathering on the industry
- Increased information, control and guidance on appropriate building practice
- Accreditation of territorial local authorities and building certifiers, and clarification of their roles and responsibilities
- All design and building work for projects over a specified value needing to be certified by a licensed building practitioner.

A statutory board will be established to license building practitioners. While there will be a five-year transition period once the legislation is enacted, planning in the transition period will be critical to identify those who can step up to the required standards and those who will need support. Workforce planning in the construction industry will be critical to meet ongoing demands and higher standards, especially in smaller centres and rural areas.

### **Housing-related services**

A wide range of services is required to ensure the smooth operation of housing markets. Many service providers are governed by legislation and much of this has been under review. It is important that the regulatory framework underpinning the sector is coherent and consistent and that the relative health of this sector is monitored so as to minimise the risk of any market failure.

#### **Real estate agents**

The Ministry of Justice is reviewing the Real Estate Agents Act 1976. As part of that review, the Ministry is analysing submissions received in response to its discussion paper *Renovating the Real Estate Agents Act: Reasonable Offers Considered*. Once analysed, it will develop policy proposals on whether and how the Act needs to be changed. It expects decisions to be made in 2004.

#### **Property managers**

The growth in the private rental market has led to significant growth in the property management industry. There has been considerable debate recently as to whether property managers should be covered by a registration regime. Property managers

who are not members of Real Estate Institute of New Zealand see compulsory registration as a form of restrictive trade practice, and believe that self-regulation is more appropriate. Many of them provide similar protections to their clients as Real Estate Institute of New Zealand members, and are of the view that they provide an equivalent or superior service. As part of the review, the Ministry of Justice has asked whether property managers should be covered by the Real Estate Agents Act 1976. The possibility of such registration under the Residential Tenancies Act 1986 will also be considered as part of its review.

### **Building and property inspectors**

There has been growth in home buyer demand for pre-purchase inspections, as concerns about housing quality have increased since the housing weathertightness issues of 2002. There is no current registration requirement for inspectors, nor is there a prescribed standard that inspections should meet. Standards New Zealand has recently established a building condition advisory committee to determine the most effective way of developing industry standards.

The aim is to ensure that home buyers, as potential purchasers of a high value commodity, can rely on quality inspections. There is also an opportunity for such standards to incorporate a home energy rating system that will provide information to prospective buyers on the energy efficiency of a given property. Over time the increasing use of such standardised processes should encourage homeowners to improve their maintenance regimes, and allow purchasers to be better protected against acquiring poor quality homes.



### **Valuers**

While the demand for valuation services is escalating, there has been a 20% decline in the number of practising valuers in New Zealand since 1989, and new registrations are at their lowest levels since records began in 1959. A recent survey of property students, seeking to determine the reasons for the falling numbers of property valuers, revealed some of the issues:

- The remuneration is generally lower than that of other property professionals
- The registration period to become a registered valuer is longer than for many other professional and specialist careers
- There is no incentive for mature people to enter the industry, as statutory criteria and salary levels deter older people.

The profession is currently regulated by the Valuers Act 1948 requiring all valuers to be registered. Land Information New Zealand, which administers the Act, is currently reviewing it in line with the government's framework for occupational regulation. Discussions have been held with the New Zealand Institute of Valuers, the Valuers Registration Board and client user group representatives. A discussion document has been referred to the New Zealand Property Institute.

### **Lawyers and conveyancers**

The Lawyers and Conveyancers Bill is before the Justice and Electoral Select Committee. The Bill allows licensed conveyancers to become an established occupation, bringing an end to the legal profession's exclusive right to provide conveyancing services. Under the Bill the New Zealand Law Society will continue to regulate lawyers while a new body, the New Zealand Society of Conveyancers, will be established to regulate licensed conveyancers.

## **Organisational capacity**

Organisations across the sector are facing new challenges and demands on their resources, skill and capacity.

### **Local government capacity**

A range of capacity and capability issues arise for local government from the recent changes in the Local Government Act 2002, and the proposed changes in the Building Bill. The Building Industry Authority has established a taskforce, which is considering the implementation issues arising from the Building Bill. These include: the accreditation of councils, building certifiers and organisations that certify building products; the practitioner licensing regime; and the sharing and obtaining of information.

The standards for accreditation will be implemented in four stages to enable councils to reach higher standards over time, and adapt to the new requirements. Some councils may consider transferring these functions to another council with existing capability, and some councils may seek to pool their capacity across a region or area. Local Government New Zealand's role in helping local councils to implement the range of policy and technical changes will be a vital one.

### **Institutional and regulatory frameworks**

Currently regulation, policy and service delivery relating to housing are spread across a number of government agencies including the Building Industry Authority, the

Ministry of Housing, Housing New Zealand Corporation and the Department of Internal Affairs. A review being led by the State Services Commission is assessing the best way for the regulatory, delivery and policy functions relating to housing to be organised to increase their effectiveness in delivering good housing. The government is also planning to review a broad range of legislation to ensure the regulatory framework underpinning housing is coherent and effective.

In addition, a social services cluster of government agencies has been formed to improve social outcomes for their mutual clients. The first three projects to come out of the cluster will involve:

- Housing New Zealand Corporation and Work and Income staff working together to deliver housing, income support and employment services from the one site in Mangere. The aim is to tackle a growing need in Mangere for affordable housing, as well as ensuring that people dealing with multiple agencies receive their full and correct entitlements and improved access to other services and assistance
- A pilot in the Auckland area to establish programmes and services for young people in the transition from state care to independent living. Child Youth and Family, the Ministries of Social Development and Housing and Housing New Zealand Corporation will collaborate on the project
- Building on work underway in Northland, the East Coast and Eastern Bay of Plenty to eliminate substandard housing in those areas. HNZC has been working with the Ministry of Social Development, the Community Employment Group, the Energy Efficiency and Conservation Authority, the Ministry of Health, Te Puni Kokiri, local government and community groups to address wider social problems associated with substandard housing.



### **Providing opportunities for consumers' voices**

Participation by tenants in decision making and management of their housing is regarded as best practice in social housing sectors worldwide. It is a key initiative for state housing authorities in Australia, and is a statutory requirement for social housing providers in the United Kingdom. Developing opportunities for tenant participation is a key capacity building project for Housing New Zealand Corporation planned for the next 2-3 years. Providing opportunities for tenant participation will be encouraged in organisations accessing funding for social housing provision from the Corporation.

Education and advocacy agencies, such as the Citizens' Advice Bureaux and Tenants' Protection Associations also play an important role in supporting housing consumers, especially those who have limited knowledge of their rights and responsibilities. Some groups of housing consumers are especially vulnerable in this regard, such as people with mental illness and new migrants and refugees. Education and advocacy agencies complement the dispute resolution services of the Ministry of Housing and the Tenancy Tribunal. Each of these services needs to be underpinned by a fair, accessible and robust regulatory framework.

The planned review of the Residential Tenancies Act 1986 will consider the effectiveness of the current regulatory framework including the provision of information and education services to landlords, tenants and other housing consumers, and what role non-government agencies might play. As part of the implementation of the amendments to the Act relating to boarding houses, the Ministry of Housing will also be considering what services need to be provided to assist boarding house tenants and landlords.

## Housing research capacity

In 2002, Housing New Zealand Corporation established an internal research and evaluation unit to strengthen its evaluation capability and evidence-based decision making. The unit is undertaking long-term evaluations of Healthy Housing, Community Renewal, and the Rural Housing Programmes.

The Corporation provided funding to support the establishment of the Centre for Housing Research Aotearoa New Zealand – Kainga Tipu. The centre's mission is to invest in rigorous, independent and relevant housing research to support policies and practices that meet New Zealand's changing and diverse housing needs. It contributes towards building housing research capacity in three ways:

- Investing in housing research capacity building generally
- Promoting research partnerships amongst housing researchers
- Providing development grants to encourage the development of new housing researchers.

To date, the centre has commissioned research to the value of over \$200,000 on: the future of home ownership in New Zealand; the drivers of house prices at a regional level; the implications of the changing structure of the housing market over the past two decades; and the price impacts of leaky buildings.

Research capacity in the housing sector will take time to grow. Government agencies, non-government organisations and private sector partnerships will increasingly play a role in building this capacity.

## Action to build capacity and capability across the housing sector

The following actions are proposed to build capacity and capability across the housing sector:

- a. Continue to support the Modern Apprenticeships Programme to build capacity in the construction industry

**Lead agencies: Tertiary Education Commission, Building and Construction Industry Training Organisation**

- b. Review and implement legislation and standards covering the activities of housing intermediaries including real estate agents, property managers, property inspectors, valuers, lawyers and conveyancers

**Lead agencies: Ministry of Justice, Land Information New Zealand, Ministry of Housing, Standards New Zealand**

- c. Support Local Government New Zealand to develop guidance for councils to implement and enforce the legislative and policy changes deriving from the new Building Bill

**Lead agencies: Building Industry Authority, Ministry of Economic Development**

- d. Complete the review being led by the State Services Commission to assess the best way for the regulatory and policy functions relating to housing to be organised to ensure that government institutions in the housing sector operate at optimum capacity

**Lead agency: State Services Commission**

- e. Provide opportunities for tenant participation in the management of social housing and investigate the need to expand the role of housing education and advocacy providers

**Lead agencies: Housing New Zealand Corporation, Ministry of Housing**

- f. Promote the development of housing research capacity across the government and non-government sectors

**Lead agencies: Housing New Zealand Corporation, Centre for Housing Research Aotearoa New Zealand**

What are the main issues relating to the capacity and capability of the housing sector? How could they be solved?

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# Meeting diverse housing needs

The broad sweep of this discussion document relates to the “bigger picture” issues in housing. The New Zealand Housing Strategy will also focus on the needs and housing aspirations of low-income New Zealanders. Within that context, specific groups are more likely to face additional barriers to meeting their diverse housing needs. The groups highlighted may also have social, health and support needs that are not necessarily being well met by housing markets. These groups include: older people, women, children and youth, disabled people, Māori, Pacific peoples and other ethnic minority communities.

The following sections highlighting the specific housing issues for these people largely reflect the results of a consultation process that Housing New Zealand Corporation undertook on social housing issues between October 2001 and September 2002. The consensus of that consultation was that housing assistance should be flexible, responsive, recognise the specific and diverse needs of people and communities facing disadvantage, and be developed in partnership with those communities. Many of the findings and recommendations for action in these sections are those of the eleven working parties that were formed to report back to the Minister of Housing.

Once the New Zealand Housing Strategy has been finalised, work programmes to respond to these recommendations will be developed by Housing New Zealand Corporation in consultation with the relevant agencies for each specific group. For example, Housing New Zealand Corporation will liaise with the Office of Ethnic Affairs to develop responses to the recommendations regarding housing for ethnic communities, and with the Ministry of Youth Development on the recommendations relating to youth housing issues.

The contribution of the working parties to this document is acknowledged with gratitude. The reports written by the working parties were released in early 2003 and are available from Housing New Zealand Corporation or by visiting the website [www.hnzc.co.nz](http://www.hnzc.co.nz).

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Have you any comment on the particular housing needs of each group identified in these sections?

# Older people's housing

## **Aspirations and preferences**

Housing issues for older people were recently canvassed in a number of forums related to the development of the Positive Ageing Strategy 2001, the Health of Older People Strategy and the Older Persons Working Party's report for the New Zealand Housing Strategy.

They found that most older people wish to "age in place" for as long as possible and that this would be supported by better integration of housing for older people within the wider community. Housing interventions for older people need to be developed in conjunction with services that support older people wherever they live.

## **Population and households**

In 2001, almost half a million people were aged 65 years and over. While women make up 56% of this group, this is changing as life expectancy is increasing more quickly for men than for women. The 65 years and over age group is less ethnically diverse than the rest of the population. Ninety-three per cent of this group identify as New Zealand European, compared with 78% of the under-65 age group.

## **Tenure patterns and housing careers**

Three-quarters of those aged 65 and over, own or partly own their usual residence. Although owner occupation levels are high amongst older people, they decline with age. In the 65 to 69 years age group, 80% live in their own homes. In the 85 years and over age group this falls to 55%.

Many older people are asset rich and income poor, with their house representing their most significant or only form of investment saving. In retirement, older people generally have low incomes and can find the cost of rates, insurance and maintenance difficult. About 5% of older New Zealanders appear to experience quite marked material hardship, and a further five to ten percent have some difficulties. A review of the Rates Rebate Scheme that helps low-income home owners to meet high rating costs is currently being undertaken by the Department of Internal Affairs.

Housing New Zealand Corporation has 12,000 older tenants. Local authorities house a further 16,000 older people in pensioner units. These numbers are likely to increase significantly as the proportion of private renters increases and the population ages.

Older private renters are likely to be concerned about the security of their tenure in the private rental market. This concern may increase demand for social housing if the private sector does not provide security of tenure.

### Current programmes

There is a wide range of housing programmes to meet the needs of older New Zealanders, including local authority housing targeted to pensioners. Housing New Zealand Corporation is developing purpose-built complexes for older people and

providing appropriate access and proximity to health, transport and support services. It is also working in partnership with a number of community agencies to develop affordable housing opportunities for older people. The Retirement Villages Act 2003 will better protect older people who choose this form of tenure.



### Actions recommended by the Older Persons Housing Working Party

The following proposals were recommended by the Older Persons Housing Working Party for further

consideration in addressing older persons' housing issues:

- Develop low-cost communal and supported housing arrangements for older people. This includes promoting the development of marae-based kaumatua housing
- Continue developing social housing options for older people, particularly in partnership with local authorities and third sector providers
- Support and protect older people on low and fixed incomes, by reviewing the Rates Rebate Scheme and implementing the Retirement Villages Act 2003
- Undertake research into older people and housing in areas such as: features to take into account when designing housing for older people; factors influencing older people's ability and desire to relocate; factors influencing future demand for residential care; and different models of housing for older people
- Promote the use of universal design principles in housing suitable for older people
- Provide increased case management services for frail older people who have associated complex housing needs.

## **CASE STUDY: ABBEYFIELD HOUSE, HAMILTON**

Partners: Abbeyfield New Zealand, New Zealand Housing Foundation, Hamilton City Council and Housing New Zealand Corporation

The Corporation has been working over several years to develop a partnership with Abbeyfield NZ to provide older people with companionship in comfortable, safe housing environments. The first housing project, an Abbeyfield House in Hamilton, will accommodate residents in 10 one-bedroom suites, but with communal rooms and a housekeeper's flat.

Housing New Zealand Corporation is lending funds to Abbeyfield NZ to enable it to build the units. The New Zealand Housing Foundation provided seeding funding for Abbeyfield NZ to develop the proposal. Abbeyfield NZ has taken responsibility for sourcing supplementary loan capital from the private sector. The Corporation receives allocation rights for five of the units which will provide accommodation for older people currently living in large family homes. This then frees up those homes for other families in need.

# Women's housing issues

## **Population and households**

More women than men live alone. The difference is most noticeable in the 65 years and over age group where 43% of women live alone, compared with 20% of men. Women also head 82% of sole parent households. Ten percent of women are sole parents, although there are significant differences by ethnic group with 21% of Māori women, 16% of Pacific women, 9% of New Zealand European women and 8% of Asian women being sole parents.

## **Tenure patterns and housing careers**

In 2001, 54% of women owned or partly owned their house. Sole parent households were more likely to live in rented accommodation than other households. The median annual income for all women in the year to March 2001 was \$14,500 compared with \$24,900 for men. Women on low incomes who head households can face difficulties in relation to affordability of housing.

Women are far more likely than men to be subject to domestic violence, and Māori women are more likely than non-Māori women to seek refuge accommodation. At present, there is limited emergency housing available, and many women face problems finding adequate housing for themselves and their families once they leave emergency housing. Families are staying in emergency housing longer because of difficulties finding adequate housing.

## **Current programmes**

The network of women's refuges around New Zealand responds to the support and safe housing needs of women and children who are victims of domestic violence. Services are largely provided by members of the National Collective of Independent Women's Refuges who are, in turn, supported with subsidised accommodation provided by Housing New Zealand Corporation and operational funding from Child, Youth and Family.

## Proposed actions to improve women's housing outcomes

The following proposals have been identified, in consultation with the Ministry of Women's Affairs, for further consideration in addressing women's housing issues:

- Support women on low incomes to access home ownership, as well as affordable, good quality rental housing
- Increase the stock of single units in state housing to cater for the growing need for this type of accommodation for single older women
- Continue efforts to match housing services to the needs of women
- Address housing needs of women in emergency housing and refuges, and in transition between emergency and other accommodation.

# Disabled people's housing needs

## **Aspirations and preferences**

The Mental Health and Disabilities Working Party relied heavily on the work completed in the New Zealand Disability Strategy. Objective 8 in the New Zealand Disability Strategy 2001 seeks to increase opportunities for disabled people to live in the community with a choice of affordable and good quality housing.

A strong feeling came through that discrimination is a major issue for the sector. There was particular focus on the impediments that some Local Authorities have placed on the sector through the use of the Resource Management Act 1993 to restrict the locations available for housing for disabled people. The group identified the need for leadership and co-ordination of effort in addressing discrimination, highlighting the need for education.

Consumer input and participation, and the desire for housing solutions that are flexible while being consistent, were other strong themes. Participants representing the mental health sector were particularly focused on the need for monitoring of housing providers, identifying and ensuring best practice and for the separation of the provision of housing from the provision of care.

Other key issues are: a lack of accessible housing for people with mobility and sensory difficulties; housing affordability issues, particularly for disabled Māori and Pacific peoples or those with mental illness; the impact of low income on reducing choice; concern about security of housing tenure for people who experience bouts of acute mental or physical illness that require intermittent hospitalisation; and the lack of accessible and well co-ordinated support services for disabled people.

## **Population and households**

One in every five New Zealanders reports having one or more long-term disabilities. As the population ages and numbers of very old people grow, the prevalence of age-related disabilities will increase. Disabled people come from all walks of life. The common factor among them is that they face many lifelong barriers to their full participation in society.

## Tenure patterns and housing careers

Almost half of disabled adults aged 15 to 64 have incomes of less than \$15,000 making access to affordable, appropriate housing difficult, particularly where they need to access specialist services. Disabled people also experience higher unemployment rates than those who are not disabled.

A 2001 study found that 17% of present users of public mental health services may experience housing difficulties, and 4% may be homeless or living in temporary or emergency housing. These percentages are likely to be underestimated as they only relate to those formally accessing public mental health services.

## Current programmes

Community groups that support people with disability and mental health needs, rent 72% of Housing New Zealand Corporation's 1,300 community group housing properties. Of this group, 70% pay a subsidised rent. The Corporation is also providing supported accommodation to residents of Kimberley and Braemar hospitals, as they transition into community living. Its Suitable Homes programme provided modified housing for 303 disabled people in 2003/03 and its Development Guide specifies minimum standards that new social housing developments and modifications should meet to address the needs of disabled people.

## Actions recommended by the Mental Health and Disabilities Working Party

The following proposals were recommended by the Mental Health and Disabilities Working Party for further consideration in addressing disabled peoples' housing issues:

- Provide increased case management services for disabled people with associated complex housing needs, ensuring improved integration and co-ordination with any assessments, case management and support services provided across agencies
- Increase the provision of suitable rental housing close to mental health and other support services
- Promote the use of universal design principles in housing suitable for physically disabled people



- Ensure that housing provision is independent of support services wherever possible, but that people can access most levels or type of support within or while retaining their own home as appropriate
- Work with territorial authorities to develop ways they can be informed by and respond to the New Zealand Disability Strategy and any other key guidelines and research.

### **CASE STUDY: WELLINGTON CITY COUNCIL HOUSING FOR PEOPLE WITH MENTAL ILLNESS**

Partners: Wellington City Council and Capital and Coast District Health Board

For the past fourteen years, in partnership with other agencies, the Wellington City Council has provided accommodation on two sites, each for fourteen people with long-term mental illness. These residents have access to mental health support workers (one of whom lives on site at one of the locations) who also serve as tenancy managers for these tenants. Residents generally live independently in separate flats and are able to maintain the tenure during periods of acute illness when they may be admitted to hospital.

The mental health support workers are employed by Wellington City Council, but have accountability relationships to the DHB. They act as a link with key workers in the mental health services, the Wellington City Council, and with other support services. They spend three hours per week with each tenant to assist with tenancy or related support matters. There is also provision for tenants to call meetings to discuss tenancy issues of more general concern with these staff.

Residents have been able to manage their illnesses effectively, thanks to security of tenure and provision of appropriate support, while maintaining their independence. The long-term involvement of one of the mental health support workers has provided continuity and stability for clients and acute hospital admissions for residents appear to have been averted.

# Children, young people and housing

## **Aspirations and preferences**

Consistent with the government's Agenda for Children, a whole-child approach is needed to address children's issues. The whole-child approach recognises that children cannot be separated from the environment in which they live and grow. This environment includes parents, caregivers, family or whanau; wider kinship groups and networks of friends and peers; community and its institutions, such as schools and workplaces; and the broad social, cultural and economic environment.

Housing needs to allow children to thrive, not just live. Although children are primary users of a home and its surroundings they usually have no direct means of selecting or shaping their place. Housing providers have a special responsibility to address children's needs in housing design and provision.

The government's Youth Development Strategy Aotearoa noted the need for young people to live in housing in good repair and free from overcrowding. The report of the Youth Housing Working Party, which considered the New Zealand Housing Strategy's implications for youth, identified a number of housing issues including: the impact of student debt on the housing choices of young people; the shortage of emergency accommodation for young single men; the fact that many young tenants are not aware of their rights; and the need for research on the changing housing environment and its impact on young people.

## **Population and households**

Almost a quarter of the population was under 15 at the time of the 2001 Census. In the next 50 years, the number of children is projected to decrease, reflecting the combined impact of lower fertility rates and fewer women of child-bearing age. One-third of households include children, at an average of 1.9 children per household. Sixty-nine percent of families with children are two-parent households, while the remaining 31% are one-parent households.

The Ministry of Youth Development defines young people as those aged between 12 and 25. In 1996, this group made up 21% of the population and by 2001 this had dropped to 19%. Ethnic diversity amongst youth is more pronounced than in the total population.

### **Housing**

Most children live in an owner-occupied house, although over 53% of children in sole-parent households live in rented accommodation, compared with around 21% of children in two-parent households. Families in private rental accommodation are likely to be more mobile than owner-occupier households. This can have a negative impact on educational achievement and health outcomes for children.

Household crowding is more likely to be experienced by children than by older people. In 2001, 17% of children under the age of 10 years and 15% of 10 to 14 year olds lived in households requiring at least one more bedroom. Pacific children are more likely to be living in crowded conditions than children from other ethnic groups.

Young people most commonly live with their parents or people acting in a parental role. The likelihood of young people living with their parents has a strong inverse association with age, but also varies with a number of other factors, particularly participation in the labour force and in education. For example, those employed full-time are least likely to live with their parents, while those in tertiary education may need to leave home to attend institutions in other towns or cities.

### **Current programmes**

Child, Youth and Family and the Ministry of Social Development are introducing a programme to better support young people in transition from state care to independence. This includes providing these young people with support, life skills training and access to suitable accommodation. Housing New Zealand Corporation will be involved in this programme as a provider or facilitator of access to housing.

**Household crowding  
is more likely to be  
experienced by  
children than by older  
people**

## Proposed actions to improve children's and youth's housing outcomes

Many of the following proposals were recommended by the Youth Housing Working Party for further consideration in addressing youth housing issues. The proposals for consideration in addressing children's housing issues identified in consultation with the Ministry of Social Development were:

- Routinely address children's needs in housing design to ensure it provides for their well-being and healthy development and consider the impact of housing policies on child well-being
- Undertake focus groups with youth including rural, urban, Māori and Pacific youth, sole parents, students and youth at risk to ascertain their housing needs and to develop research priorities
- Investigate developing a tenancy advocacy service for youth and life skills education programmes
- Investigate youth specific accommodation programmes and emergency accommodation for young men
- Meet the need for housing and support services for young people leaving state care as they turn 17
- Investigate how the government can involve youth in housing policy, and how the sector can involve youth in their local communities' planning and design decisions.

# Housing needs of Māori communities

## **Aspirations and preferences**

Although specific housing issues are identified for Māori in this section, the particular emphasis during consultation was on the relationships and processes informing the development of policies and programmes. The report of the Māori Housing Working Party emphasised its view that the Treaty of Waitangi be the principal instrument for the government and its agencies in developing durable and meaningful relationships with Māori. The working party also called for Māori housing policies and initiatives to be developed in partnership.

## **Population and households**

About one New Zealander in seven identifies as Māori, and Māori are increasing as a proportion of the population. Although Māori fertility has been declining over the past 40 years, it remains higher than for the general population. As a consequence, the Māori population is more youthful, with a median age of 22 compared with 35 for the general population. In addition, numbers of older Māori are increasing.

In 2001, nearly 90% of Māori lived in the North Island. Over 80% lived in urban areas and about 25% in the Auckland region. Māori households are likely to be larger, and Māori one-person households are uncommon (only 4.6%) although numbers are slowly increasing. In contrast, sole-parent families are relatively common at 35% of Māori families, compared with 15% of New Zealand European families.

## **Tenure patterns and housing careers**

Māori homeownership fell from 52% in 1991 to 44% in 2001, due to a combination of factors including higher levels of unemployment, lower personal incomes, strong urbanisation and concentration in high-cost housing markets like Auckland. Māori are about twice as likely to live in rental accommodation as New Zealand Europeans.

## Current housing programmes

Housing New Zealand Corporation has a number of programmes underway to improve Māori housing, especially in rural areas. They include the Rural Housing Programme and rural lending schemes for low-income families and those living on papakainga land.

Kaupapa Māori organisations are contracted to provide home ownership education programmes. These aim to ensure home buyers are aware of the costs and ongoing requirements of home ownership. Joint ventures with iwi and hapu have also been developed to meet local housing needs in areas such as Opotiki, Morrinsville and Tere.

## Actions recommended by the Māori Housing Working Party

The following proposals were recommended by the Māori Housing Working Party for further consideration in addressing Māori housing issues:

- Māori must be involved early and effectively in all planning impacting on Māori housing and there should be effective Māori representation on housing strategy, planning and development committees sponsored by government
- Provide assistance and resources to enable Māori to grow capacity and capability in the housing sector
- Develop housing programmes specifically targeted at iwi, hapu and other Māori structures, as part of wider Māori community development programmes, including employment, health and social services
- Provide or support capacity building programmes to improve the capacity of iwi, hapu and Māori organisations to plan and deliver housing services
- Increase opportunities for Māori home ownership in both rural and urban areas
- Build housing on collectively-owned land in partnership with iwi, hapu and other Māori organisations that can contribute land, infrastructure and other support
- A partnership approach, based on the relationship created by the Treaty of Waitangi.



## CASE STUDY: THE RURAL HOUSING PROGRAMME

Partners: Nga hapu mo nga iwi, Ministry of Social Development, Community Employment Group, Energy Efficiency Conservation Authority, Ministry of Health, Te Puni Kokiri, New Zealand Fire Service, local government, and community based organisations

This is a five-year programme to repair unsafe dwellings, address unmet housing need and foster social development in isolated, predominately Māori, rural communities. Substandard housing in Northland, eastern Bay of Plenty, and the East Coast, has been symptomatic of wider social problems – poor health, lack of employment and economic decline.

By 2002 local kaupapa Māori social service providers had, in partnership with HNZA, assessed approximately 1,500 dwellings as substandard. The programme provides multiple housing interventions: interest free loans to hapu/iwi to establish their own rental portfolios, especially transitional housing for older Māori and people with high dependency needs; new state rentals; essential repairs; and the installation of smoke alarms.

The Rural Housing Programme is acting as an entry point to a range of government agencies and services for Māori communities. This is proving effective at helping people gain access to a wider range of services. The programme is also increasing partnership opportunities for Māori housing providers, and meeting Māori expectations and desires to lead change in a sustainable manner.



# Pacific people's housing

## **Aspirations and preferences**

Pacific people see home ownership as contributing to a strong economic base for the extended family to build on. Issues identified by the Pacific People's Housing Working Party include limitations on access to home ownership and state housing, and the affordability of rental housing. The working party noted that state housing design needs to take into account the size of Pacific families, their cultural values and practical needs. Collaboration also needs to take place with Pacific communities in developing housing solutions.

## **Population and households**

In 2001, 231,800 people identified as belonging to a Pacific ethnic group. Although the Pacific population is ageing gradually, it is more youthful than the general population with a median age of 21. While they represent 6.5% of the total population, Pacific people account for only 4% of total households because of their larger household size. Pacific people have a greater than average likelihood of living within an extended family household, and a higher probability of living in crowded conditions. Statistics New Zealand estimated that in 2001, 27% of households with people of Pacific ethnicity experienced crowding.

## **Tenure patterns and housing careers**

Sixty-two percent of Pacific households live in rental accommodation. This is up from 52% in 1991, and higher than the 32% rate for the general population. Pacific households are high users of state housing, occupying 21% of stock nationally and 44% in the Auckland region. The high rental rate is matched by a low home ownership rate, which is the result of factors including: higher unemployment rates; low personal incomes; reluctance of private lenders to consider extended family income when assessing lending risk for home ownership; strong urbanisation; and concentration in high-cost housing markets like Auckland and Wellington.

### Current housing programmes

While still in the early stages of development, Pacific communities are being encouraged to build capacity to meet their housing needs. Housing New Zealand Corporation is working with a number of Pacific community and church-based agencies on potential social housing initiatives. The Healthy Housing Programme has had a significant impact on overcrowding and crowding-related illness in South Auckland's Pacific community.



### Actions recommended by the Pacific People's Housing Working Party

The following proposals were recommended by the Pacific People's Housing Working Party for further consideration in addressing Pacific housing issues:

- Continue developing and implementing policies to support Pacific people into home ownership
- Engage in partnerships with Pacific communities to develop housing initiatives
- Develop housing advocacy, information and support services for Pacific people
- Continue improving the supply and appropriateness of state house quality and design for larger Pacific people's households.

# Other ethnic minority communities and housing

## **Aspirations and preferences**

The key housing issues for ethnic minority communities appear to be the lack of access to home ownership and suitable housing, creating pressure on social housing waiting lists. Refugees experience particular settlement difficulties as a consequence of their experiences. Many refugees have experienced trauma and hardship and need significant support to resettle, become familiar with their new home and to maintain links to families from which they may be separated.

Some ethnic groups experience discrimination within the rental market. Perceptions that new migrants have priority access to social housing can lead to tensions within state housing communities. There is an absence of current research into the housing and integration needs of refugees and ethnic.

## **Population and households**

Between 1991 and 2001, the number of Asian people in New Zealand more than trebled. Asian people now make up over 6% of the total population. In the same decade, the numbers of people of Latin American, Middle Eastern or African origin increased from about 6,700 to nearly 25,000, although they remain a small proportion of the total population at only 0.7%.

## **Tenure patterns and housing careers**

Ethnic communities tend to concentrate in urban centres, particularly Auckland. Although there are some variations between groups, ethnic communities generally have low rates of home ownership. Asian people are a notable exception to this pattern with the highest rate of home ownership of any non-New Zealand European group. The rates of home ownership tend to mirror rates of labour market participation, employment and personal income by ethnic group.

### **Current housing programmes**

Housing New Zealand Corporation works closely with refugee and new migrant settlement agencies that respond to the needs of migrant communities in New Zealand. In 2002/03, it housed 282 refugee households: 45% in private sector or local government housing and 55% in state housing.

### **Proposed actions to improve ethnic people's housing outcomes**

The following proposals have been identified in consultation with the Office of Ethnic Affairs for further consideration in addressing ethnic communities' housing issues:

- Provide tailored home ownership education and support programmes to promote existing home ownership assistance measures
- Continue improving the supply and appropriateness of state house quality and design for larger ethnic households
- Engage in partnerships with ethnic minority communities to develop appropriate housing initiatives to serve these communities
- Develop housing advocacy, information and support services for ethnic people
- Analyse ethnic people's household compositions and dynamics to assess future housing needs.

# Measuring progress

Progress towards achieving the vision and outcomes of the proposed housing strategy will be measured over time. Two or three key indicators will need to be identified for inclusion in the Ministry of Social Development's annual Social Report.

The Social Report's aim is to provide information on the overall social health and well-being of New Zealand society. The report has three main purposes:

- To provide, and monitor over time, measures of well-being and quality of life that complement existing economic indicators
- To assess how New Zealand compares with other countries on various measures of well-being
- To help identify key issues and areas where action is needed, which can in turn help with planning and decision-making.

Measures are selected for inclusion in the report on the basis that they are able to contribute to measuring the desired social outcome that:

*“New Zealand is a prosperous society where all people have access to adequate incomes and enjoy standards of living that mean they can fully participate in society and have choice about how to live their lives.”*

A broader and more robust range of housing indicators will strengthen the ability to assess progress toward that goal. The appropriate range of indicators will be identified during the consultation period, and will contribute to the development of the Social Report as the primary indicator of changes in the social well-being of New Zealanders.

# Glossary

## **Amenity**

An attribute of a building that contributes to the health, physical independence or well-being of the building's users but is not associated with disease or a specific illness.

## **Ageing in place**

The ability to receive the support needed to remain in one's own home or community when growing older.

## **Brownfield site**

A building or development site that has been built on previously.

## **Capacity**

The people, resources, systems, structures, culture and relationships an organisation needs to achieve desired goals.

## **Greenfield site**

A building or development site that has not been built on previously.

## **Household**

The Census definition of a household is either one person who usually lives alone, or two or more people who usually live together and share facilities. A household may contain more than one family or other people in addition to a family.

## **Inclusionary zoning**

A range of zoning techniques designed to encourage the development of affordable housing for lower-income groups. For example, developers being required to set aside portions of a development for such housing as a prerequisite to gaining resource consent.

## **Social housing**

Not-for-profit housing programmes that are supported but not necessarily delivered by government, to help low and modest-income households and other disadvantaged groups to access appropriate, secure and affordable housing.

## **Social capital**

The outcomes from the network of relationships within communities that help that community to operate effectively. These relationships are often centred on voluntary associations such as community groups, sports clubs and work-based associations, and based on elements of trust and reciprocity between the individuals concerned.

## **Sustainability**

Development that meets the needs of the present without compromising the ability of future generations to meet their needs.

## **Universal design**

Housing that is designed to be used by all people to the greatest extent possible without the need for adaptation or specialised design. It is based on a number of principles including equitable use, flexibility of use, simplicity, and providing appropriate size and space for its intended use.

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# Endnotes

- <sup>1</sup> e.g. USA: 67%; France: 55%; Germany: 41%.
- <sup>2</sup> Real Estate Institute of New Zealand median sale prices.
- <sup>3</sup> Although there is often more than one recipient living in a single household.
- <sup>4</sup> The order the areas for action are listed in does not indicate their relative importance. Each will have a work programme extending across the life of the strategy.
- <sup>5</sup> Excluding Family Support if there are more than two children in the household, and income from up to three boarders per household.
- <sup>6</sup> Subject to income limits.
- <sup>7</sup> Area 1 (highest level of subsidy): Auckland; Area 2: Hamilton, Tauranga, Rotorua, Napier, Hastings, Palmerston North, Wellington, Nelson, Christchurch; Area 3 (lowest level of subsidy): the rest of New Zealand.
- <sup>8</sup> Based on Otago University Estimated Family Food Costs, 2003.
- <sup>9</sup> Commissioned by the Centre for Housing Research Aotearoa New Zealand – Te Kāinga Tipu.
- <sup>10</sup> The ability to claim losses on rental property against tax paid on other sources of income.

